

**LEGISLATIVE HISTORY
TITLES I-XX
OF THE
SOCIAL SECURITY ACT**

**Volume XXIII
100th Congress
1987-1988
Part 3**



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**Legislative History of
Titles I-XX
of the Social Security Act**

**Volume XXIII
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**Compiled by the
Technical Documents Branch
Division of Technical Documents and Privacy
Office of Regulations
Office of Policy
Social Security Administration**

Finder's Aid

P.L. 100-364 (102 Stat. 822) Approved July 11, 1988
"WIN Demonstration Program Extension Act of 1988"

<u>Subject</u>	<u>S.S. Act Section</u>	<u>P.L. Section</u>	<u>102 Stat.</u>
Work Incentive Demonstration Program--Extension of Authority	445(b)(1)	2(a)	822
Work Incentive Demonstration Program--Extension of Authority	445(d)	2(b)	822

Public Law 100-364
100th Congress

An Act

July 11, 1988

[H.R. 4731]

To extend the authority for the Work Incentive Demonstration Program.

WIN
Demonstration
Program
Extension Act of
1988.
42 USC 1305
note.
42 USC 645.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "WIN Demonstration Program Extension Act of 1988".

SEC. 2. DEMONSTRATION AUTHORITY EXTENDED.

(a) Section 445(b)(1) of the Social Security Act is amended by striking out "June 30, 1987" and inserting in lieu thereof "September 30, 1989".

(b) Section 445(d) of such Act is amended by striking out "June 30, 1987" and inserting in lieu thereof "September 30, 1989", and by striking out "June 30, 1988" and inserting in lieu thereof "September 30, 1990".

Approved July 11, 1988.

LEGISLATIVE HISTORY—H.R. 4731:

CONGRESSIONAL RECORD, Vol. 134 (1988):

June 13, considered and passed House.

June 27, 28, considered and passed Senate.

Finder's Aid

P.L. 100-436 (102 Stat. 1680) Approved September 20, 1988
"Departments of Labor, Health and Human Services, and Education and
Related Agencies Appropriations Act, 1989"

<u>Subject</u>	<u>S.S. Act</u> <u>Section</u>	<u>P.L.</u> <u>Section</u>	<u>102</u> <u>Stat.</u>	<u>H. Rep.</u> <u>100-689</u>	<u>S. Rep.</u> <u>100-399</u>	<u>H.C. Rep.</u> <u>100-880</u>
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Note: There are no amendments to the Social Security Act contained in this Public Law. The provisions included here deal with appropriations for programs administered under the Social Security Act.

PUBLIC LAW 100-436—SEPT. 20, 1988

DEPARTMENTS OF LABOR, HEALTH AND
HUMAN SERVICES, AND EDUCATION, AND
RELATED AGENCIES APPROPRIATIONS
ACT, 1989

Public Law 100-436
100th Congress

An Act

Sept. 20, 1988
[H.R. 4783]

Making appropriations for the Departments of Labor, Health and Human Services, and Education, and related agencies, for the fiscal year ending September 30, 1989, and for other purposes.

Departments of
Labor, Health
and Human
Services, and
Education, and
Related
Agencies
Appropriations
Act, 1989.
Department of
Labor
Appropriations
Act, 1989.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the following sums are appropriated, out of any money in the Treasury not otherwise appropriated, for the Departments of Labor, Health and Human Services, and Education, and related agencies for the fiscal year ending September 30, 1989, and for other purposes, namely:

TITLE I—DEPARTMENT OF LABOR

EMPLOYMENT AND TRAINING ADMINISTRATION

PROGRAM ADMINISTRATION

For expenses of administering employment and training programs, \$71,638,000 together with not to exceed \$48,906,000 which may be expended from the Employment Security Administration account in the Unemployment Trust Fund.

TRAINING AND EMPLOYMENT SERVICES

For expenses necessary to carry into effect the Job Training Partnership Act, including the purchase and hire of passenger motor vehicles, \$3,709,800,000, plus reimbursements, to be available for obligation for the period July 1, 1989, through June 30, 1990, of which \$59,713,000 shall be for carrying out section 401, \$69,372,000 shall be for carrying out section 402, \$9,633,000 shall be for carrying out section 441, \$2,000,000 shall be for the National Commission for Employment Policy, \$4,000,000 shall be for all activities conducted by and through the National Occupational Information Coordinating Committee under the Job Training Partnership Act, and \$6,000,000 shall be for service delivery areas under section 101(a)(4)(A)(iii) of the Job Training Partnership Act in addition to amounts otherwise provided under sections 202 and 251(b) of the Act and \$36,000,000 shall be used to continue acquisition, rehabilitation, and construction of six new Job Corps centers; and, in addition, \$9,500,000 is appropriated for activities authorized by title VII, subtitle C of the Stewart B. McKinney Homeless Assistance Act, of which \$1,900,000 shall be for carrying out section 738 of the Act: *Provided*, That no funds from any other appropriation shall be used to provide meal services at or for Job Corps centers.

For necessary expenses of construction, rehabilitation, and acquisition of Job Corps centers as authorized by the Job Training Partnership Act, \$63,916,000, to be available for obligation for the period July 1, 1989 through June 30, 1992.

**STATE UNEMPLOYMENT INSURANCE AND EMPLOYMENT SERVICE
OPERATIONS**

For activities authorized by the Act of June 6, 1933, as amended (29 U.S.C. 49-491-1; 39 U.S.C. 3202(a)(1)(E)); title III of the Social Security Act, as amended (42 U.S.C. 502-504); necessary administrative expenses for carrying out 5 U.S.C. 8501-8523, and sections 231-235 and 243-244, title II of the Trade Act of 1974, as amended; as authorized by section 7c of the Act of June 6, 1933, as amended, necessary administrative expenses under sections 101(a)(15)(H)(ii), 212(a)(14), and 216(g) (1), (2), and (3) of the Immigration and Nationality Act, as amended (8 U.S.C. 1101 et seq.); and necessary administrative expenses to carry out the Targeted Jobs Tax Credit program under section 51 of the Internal Revenue Code of 1986, \$22,833,000, together with not to exceed \$2,479,714,000 which may be expended from the Employment Security Administration account in the Unemployment Trust Fund, and of which the sums available in the basic allocation for activities authorized by title III of the Social Security Act, as amended (42 U.S.C. 502-504), and the sums available in the basic allocation for necessary administrative expenses for carrying out 5 U.S.C. 8501-8523, shall be available for obligation by the States through December 31, 1989, and of which \$21,733,000 together with not to exceed \$751,296,000 of the amount which may be expended from said trust fund shall be available for obligation for the period July 1, 1989, through June 30, 1990, to fund activities under section 6 of the Act of June 6, 1933, as amended, including the cost of penalty mail made available to States in lieu of allotments for such purpose and of which \$157,479,000 (including not to exceed \$3,000,000 which may be used for amortization payments to States which had independent retirement plans in their State employment service agencies prior to 1980) shall be available only to the extent necessary to administer unemployment compensation laws to meet increased costs of administration resulting from changes in a State law or increases in the number of unemployment insurance claims filed and claims paid or increased salary costs resulting from changes in State salary compensation plans embracing employees of the State generally over those upon which the State's basic allocation was based, which cannot be provided for by normal budgetary adjustments based on State obligations as of December 31, 1989.

ADVANCES TO THE UNEMPLOYMENT TRUST FUND AND OTHER FUNDS

For repayable advances to the Unemployment Trust Fund as authorized by sections 905(d) and 1203 of the Social Security Act, as amended, and to the Black Lung Disability Trust Fund as authorized by section 9501(c)(1) of the Internal Revenue Code of 1954, as amended; and for nonrepayable advances to the Unemployment Trust Fund as authorized by section 8509 of title 5, United States Code, and to the "Federal unemployment benefits and allowances" account, to remain available until September 30, 1990; \$124,000,000.

JOHN E. FOGARTY INTERNATIONAL CENTER

For carrying out the activities at the John E. Fogarty International Center, \$16,074,000, of which \$1,852,000 shall be available for payment to the Gorgas Memorial Institute for maintenance and operation of the Gorgas Memorial Laboratory.

NATIONAL LIBRARY OF MEDICINE

For carrying out section 301 and title IV of the Public Health Service Act with respect to health information communications, \$74,626,000.

OFFICE OF THE DIRECTOR

For carrying out the responsibilities of the Office of the Director, National Institutes of Health, \$73,078,000 including purchase of not to exceed five passenger motor vehicles for replacement only.

BUILDINGS AND FACILITIES

For construction of, and acquisition of equipment for, facilities of or used by the National Institutes of Health, \$39,000,000, to remain available until expended.

AIDS.

Notwithstanding any other provision of this Act, AIDS education programs funded by the Centers for Disease Control and other education curricula funded under this Act dealing with sexual activity—

(1) shall not be designed to promote or encourage, directly, intravenous drug abuse or sexual activity, homosexual or heterosexual, and

(2) in addition, with regard to AIDS education programs and curricula—

(A) shall be designed to reduce exposure to and transmission of the etiologic agent for acquired immune deficiency syndrome by providing accurate information, and

(B) shall provide information on the health risks of promiscuous sexual activity and intravenous drug abuse.

ALCOHOL, DRUG ABUSE, AND MENTAL HEALTH ADMINISTRATION

ALCOHOL, DRUG ABUSE, AND MENTAL HEALTH

For carrying out the Public Health Service Act with respect to mental health, drug abuse, alcohol abuse, and alcoholism, and the Protection and Advocacy for Mentally Ill Individuals Act of 1986, \$1,581,691,000 of which \$4,787,000 shall be available, on a pro rata basis, for grants to the States for State comprehensive mental health services plans pursuant to title V of Public Law 99-660 (100 Stat. 3794-3797), of which \$200,000 for renovation of government owned or leased intramural research facilities shall remain available until expended.

FEDERAL SUBSIDY FOR SAINT ELIZABETHS HOSPITAL

To carry out the Saint Elizabeths Hospital and District of Columbia Mental Health Services Act, \$24,000,000 which shall be available in fiscal year 1989 for payments to the District of Columbia as authorized by section 9(a) of the Act: *Provided*, That any amounts

determined by the Secretary of Health and Human Services to be in excess of the amounts requested and estimated to be necessary to carry out sections 6 and 9(f)(2) of the Act shall be returned to the Treasury.

In fiscal year 1989 and thereafter, the maximum amount available to Saint Elizabeths Hospital from Federal sources shall not exceed the total of the following amounts: the appropriations made under this heading, amounts billed to Federal agencies and entities by the District of Columbia for services provided at Saint Elizabeths Hospital, and amounts authorized by titles XVIII and XIX of the Social Security Act. This maximum amount shall not include Federal funds appropriated to the District of Columbia under "Federal Payment to the District of Columbia" and payments made pursuant to section 9(c) of Public Law 98-621. Amounts chargeable to and available from Federal sources for inpatient and outpatient services provided through Saint Elizabeths Hospital as authorized by 24 U.S.C. 191, 196, 211, 212, 222, 253, and 324; 31 U.S.C. 1535; and 42 U.S.C. 249 and 251 shall not exceed the estimated total cost of such services as computed using only the proportionate amount of the direct Federal subsidy appropriated under this heading.

24 USC 170a.

24 USC 168b.

OFFICE OF ASSISTANT SECRETARY FOR HEALTH

PUBLIC HEALTH SERVICE MANAGEMENT

For the expenses necessary for the Office of Assistant Secretary for Health and for carrying out title III, XVII, and XX of the Public Health Service Act, \$70,167,000, together with not to exceed \$1,050,000 to be transferred and expended as authorized by section 201(g) of the Social Security Act from the Federal Hospital Insurance and the Federal Supplementary Medical Insurance Trust Funds referred to therein and \$5,950,000 to be transferred and expended for patient outcome assessment research as authorized by section 9316 of Public Law 99-509, of which \$3,868,000 will come from the Federal Hospital Insurance Trust Fund and \$2,082,000 will come from the Federal Supplementary Medical Insurance Trust Fund, and, in addition, amounts received from Freedom of Information Act fees, reimbursable and interagency agreements and the sale of data tapes shall be credited to this appropriation and shall remain available until expended: *Provided*, That in addition to amounts provided herein, up to \$10,155,000 shall be available from amounts available under section 2313 of the Public Health Service Act, to carry out the National Medical Expenditure Survey.

RETIREMENT PAY AND MEDICAL BENEFITS FOR COMMISSIONED OFFICERS

For retirement pay and medical benefits of Public Health Service Commissioned Officers as authorized by law, and for payments under the Retired Serviceman's Family Protection Plan and Survivor Benefit Plan and for medical care of dependents and retired personnel under the Dependents' Medical Care Act (10 U.S.C. ch. 55), and for payments pursuant to section 229(b) of the Social Security Act (42 U.S.C. 429(b)), such amounts as may be required during the current fiscal year.

VACCINE INJURY COMPENSATION TRUST FUND

For payments from the Vaccine Injury Compensation Trust Fund, such sums as may be necessary for claims associated with vaccine-related injury or death resolved during the current fiscal year with respect to vaccines administered after September 30, 1988, pursuant to subtitle 2 of title XXI of the Public Health Service Act as amended by Public Law 100-203, and from such trust fund such sums as may be necessary, not to exceed \$80,000,000, for compensation of claims adjudicated by the United States Claims Court arising from liability related to the administration of vaccines before October 1, 1988.

HEALTH CARE FINANCING ADMINISTRATION

GRANTS TO STATES FOR MEDICAID

For carrying out, except as otherwise provided, titles XI and XIX of the Social Security Act, \$26,236,000,000 to remain available until expended.

For making, after May 31, payments to States under title XIX of the Social Security Act for the last quarter of fiscal year 1989 for unanticipated costs, incurred for the current fiscal year, such sums as may be necessary.

Payment under title XIX may be made for any quarter beginning after June 30, 1988 and before October 1, 1989, with respect to any State plan or plan amendment in effect during any such quarter, if submitted in, or prior to such quarter and approved in that or any such subsequent quarter.

For making payments to States under title XIX of the Social Security Act for the first quarter of fiscal year 1990, \$9,000,000,000, to remain available until expended.

PAYMENTS TO HEALTH CARE TRUST FUNDS

For payment to the Federal Hospital Insurance and the Federal Supplementary Medical Insurance Trust Funds, as provided under sections 217(g) and 1844 of the Social Security Act, sections 103(c) and 111(d) of the Social Security Amendments of 1965, and section 278(d) of Public Law 97-248, \$31,227,000,000.

PROGRAM MANAGEMENT

For carrying out, except as otherwise provided, titles XI, XVIII, and XIX of the Social Security Act, \$94,417,000, together with not to exceed \$1,825,219,000 to be transferred to this appropriation as authorized by section 201(g) of the Social Security Act, from the Federal Hospital Insurance and the Federal Supplementary Medical Insurance Trust Funds or any other trust fund which may be established by law for catastrophic coverage under the Medicare program: *Provided*, That \$100,000,000 of said trust funds shall be expended only to the extent necessary to process workloads not anticipated in the budget estimates of this Act, and to meet unanticipated costs of agencies or organizations with which agreements have been made to participate in the administration of title XVIII and after maximum absorption of such costs within the remainder of the existing limitation has been achieved: *Provided further*, That all funds derived in accordance with 31 U.S.C. 9701, are to be credited to this appropriation.

SOCIAL SECURITY ADMINISTRATION

PAYMENTS TO SOCIAL SECURITY TRUST FUNDS

For payment to the Federal Old-Age and Survivors Insurance and the Federal Disability Insurance Trust Funds, as provided under sections 201(m), 217(g), 228(g), and 1131(b)(2) of the Social Security Act, \$93,631,000.

SPECIAL BENEFITS FOR DISABLED COAL MINERS

For carrying out title IV of the Federal Mine Safety and Health Act of 1977, including the payment of travel expenses on an actual cost or commuted basis, to an individual, for travel incident to medical examinations, and when travel of more than 75 miles is required, to parties, their representatives, and all reasonably necessary witnesses for travel within the United States, Puerto Rico, and the Virgin Islands, to reconsideration interviews and to proceedings before administrative law judges, \$628,581,000, to remain available until expended: *Provided*, That monthly benefit payments shall be paid consistent with section 215(g) of the Social Security Act.

For making, after July 31, of the current fiscal year, benefit payments to individuals under title IV of the Federal Mine Safety and Health Act of 1977, for costs incurred in the current fiscal year, such amounts as may be necessary.

For making benefit payments under title IV of the Federal Mine Safety and Health Act of 1977 for the first quarter of fiscal year 1990, \$211,000,000, to remain available until expended.

SUPPLEMENTAL SECURITY INCOME PROGRAM

For carrying out the Supplemental Security Income Program, title XI of the Social Security Act, section 401 of Public Law 92-603, section 212 of Public Law 93-66, as amended, and section 405 of Public Law 95-216, including payment to the Social Security trust funds for administrative expenses incurred pursuant to section 201(g)(1) of the Social Security Act, \$9,473,953,000, to remain available until expended: *Provided*, That any portion of the funds provided to a State in the current fiscal year and not obligated by the State during that year shall be returned to the Treasury.

For making, after July 31 of the current fiscal year, benefit payments to individuals under title XVI of the Social Security Act, for unanticipated costs incurred for the current fiscal year, such sums as may be necessary.

For carrying out the Supplemental Security Income Program for the first quarter of fiscal year 1990, \$2,936,000,000, to remain available until expended.

LIMITATION ON ADMINISTRATIVE EXPENSES

For necessary expenses, not more than \$3,795,661,000, may be expended, as authorized by section 201(g)(1) of the Social Security Act, from any one or all of the trust funds referred to therein: *Provided*, That travel expense payments under section 1631(h) of such Act for travel to hearings may be made only when travel of more than seventy-five miles is required: *Provided further*, That \$97,870,000 of the foregoing amount shall be apportioned for use only to the extent necessary to process workloads not anticipated in

the budget estimates, for automation projects and their impact on the work force, and to meet mandatory increases in costs of agencies or organizations with which agreements have been made to participate in the administration of titles XVI and XVIII and section 221 of the Social Security Act, and after maximum absorption of such costs within the remainder of the existing limitation has been achieved: *Provided further*, That none of the funds appropriated by this Act may be used for the manufacture, printing, or procuring of social security cards, as provided in section 205(c)(2)(D) of the Social Security Act, where paper and other materials used in the manufacture of such cards are produced, manufactured, or assembled outside of the United States: *Provided further*, That not to exceed \$170,000,000 shall be available for automatic data processing and telecommunication activities.

FAMILY SUPPORT ADMINISTRATION

FAMILY SUPPORT PAYMENTS TO STATES

For making payments to States or other non-Federal entities, except as otherwise provided, under titles I, IV-A and -D, X, XI, XIV, and XVI of the Social Security Act and the Act of July 5, 1960 (24 U.S.C., ch. 9), \$8,204,337,000, to remain available until expended.

For making, after May 31 of the current fiscal year, payments to States or other non-Federal entities under titles I, IV-A and -D, X, XI, XIV, and XVI of the Social Security Act, for the last three months of the current year for unanticipated costs, incurred for the current fiscal year, such sums as may be necessary.

For making payments to States or other non-Federal entities under titles I, IV-A and -D, X, XI, XIV, and XVI of the Social Security Act, and the Act of July 5, 1960 (24 U.S.C., ch. 9) for the first quarter of fiscal year 1990, \$2,700,000,000, to remain available until expended.

LOW INCOME HOME ENERGY ASSISTANCE

For making payments under title XXVI of the Omnibus Budget Reconciliation Act of 1981, \$1,400,000,000.

REFUGEE AND ENTRANT ASSISTANCE

For making payments for refugee and entrant assistance activities authorized by title IV of the Immigration and Nationality Act and section 501 of the Refugee Education Assistance Act of 1980 (Public Law 96-422), \$387,000,000.

WORK INCENTIVES

For carrying out a work incentive program, as authorized by part C of title IV of the Social Security Act, including registration of individuals for such programs, and for related child care and other supportive services, as authorized by section 402(a)(19)(G) of the Act, including transfer to the Secretary of Labor, as authorized by section 431 of the Act, \$92,551,000 which shall be the maximum amount available for transfer to the Secretary of Labor and to which the States may become entitled pursuant to section 403(d) of such Act, for these purposes.

COMMUNITY SERVICES BLOCK GRANT

For making payments under the Community Services Block Grant Act and section 408 of Public Law 99-425, and the Stewart B. McKinney Homeless Assistance Act, \$382,185,000 of which \$20,500,000 shall be for carrying out section 681(a)(2)(A), \$4,062,000 shall be for carrying out section 681(a)(2)(D), \$2,984,000 shall be for carrying out section 681(a)(2)(E), \$6,750,000 shall be for carrying out section 681(a)(2)(F), \$239,000 shall be for carrying out section 681(a)(3), \$3,555,000 shall be for carrying out section 408 of Public Law 99-425 and \$2,447,000 shall be for carrying out section 681A with respect to the community food and nutrition program.

PROGRAM ADMINISTRATION

For necessary administrative expenses to carry out titles I, IV, X, XI, XIV, and XVI of the Social Security Act, the Act of July 5, 1960 (24 U.S.C., ch. 9), title XXVI of the Omnibus Budget Reconciliation Act of 1981, the Community Services Block Grant Act, title IV of the Immigration and Nationality Act and section 501 of the Refugee Education Assistance Act of 1980, \$82,464,000.

ASSISTANT SECRETARY FOR HUMAN DEVELOPMENT SERVICES

SOCIAL SERVICES BLOCK GRANT

For carrying out the Social Services Block Grant Act, \$2,700,000,000.

HUMAN DEVELOPMENT SERVICES

For carrying out, except as otherwise provided, the Runaway and Homeless Youth Act, the Older Americans Act of 1965, the Developmental Disabilities Assistance and Bill of Rights Act, the Child Abuse Prevention and Treatment Act, section 404 of Public Law 98-473, the Family Violence Prevention and Services Act (title III of Public Law 98-457), the Native American Programs Act, title II of Public Law 100-294 (adoption opportunities), title II of the Children's Justice and Assistance Act of 1986, chapter 8-D of title VI of the Omnibus Budget Reconciliation Act of 1981 (pertaining to grants to States for planning and development of dependent care programs), the Head Start Act, the Comprehensive Child Development Centers Act of 1988, the Child Development Associate Scholarship Assistance Act of 1985, and part B of title IV and section 1110 of the Social Security Act, \$2,574,808,000, of which \$12,000,000 shall be made available to carry out the State Dependent Care Development Grants Act (42 U.S.C. 9871 et seq.): *Provided*, That appropriations to carry out the Comprehensive Child Development Program under chapter 8, subchapter E of the Omnibus Budget Reconciliation Act of 1981, shall be available notwithstanding section 670T(b) of that Act.

PAYMENTS TO STATES FOR FOSTER CARE AND ADOPTION ASSISTANCE

For carrying out part E of title IV of the Social Security Act, \$1,119,907,000.

DEPARTMENTAL MANAGEMENT

GENERAL DEPARTMENTAL MANAGEMENT

For necessary expenses, not otherwise provided, for general departmental management, including hire of six medium sedans, \$68,160,000, together with not to exceed \$7,000,000, to be transferred and expended as authorized by section 201(g)(1) of the Social Security Act from any one or all of the trust funds referred to therein.

OFFICE OF THE INSPECTOR GENERAL

For expenses necessary for the Office of the Inspector General, \$46,430,000, together with not to exceed \$40,000,000, to be transferred and expended as authorized by section 201(g)(1) of the Social Security Act from any one or all of the trust funds referred to therein.

OFFICE FOR CIVIL RIGHTS

For expenses necessary for the Office for Civil Rights, \$16,173,000, together with not to exceed \$4,000,000, to be transferred and expended as authorized by section 201(g)(1) of the Social Security Act from any one or all of the trust funds referred to therein.

POLICY RESEARCH

For carrying out, to the extent not otherwise provided, research studies under section 1110 of the Social Security Act, \$7,946,000: *Provided*, That not less than \$3,000,000 shall be obligated to continue research on poverty conducted by the Institute for Research on Poverty.

GENERAL PROVISIONS

SEC. 201. None of the funds appropriated by this title for grants-in-aid of State agencies to cover, in whole or in part, the cost of operation of said agencies, including the salaries and expenses of officers and employees of said agencies, shall be withheld from the said agencies of any State which have established by legislative enactment and have in operation a merit system and classification and compensation plan covering the selection, tenure in office, and compensation of their employees, because of any disapproval of their personnel or the manner of their selection by the agencies of the said States, or the rates of pay of said officers or employees.

SEC. 202. None of the funds made available by this Act for the National Institutes of Health, except for those appropriated to the "Office of the Director," may be used to provide forward funding or multiyear funding of research project grants except in those cases where the Director of the National Institutes of Health has determined that such funding is specifically required because of the scientific requirements of a particular research project grant.

SEC. 203. Appropriations in this or any other Act shall be available for expenses for active commissioned officers in the Public Health Service Reserve Corps and for not to exceed 2,400 commissioned officers in the Regular Corps; expenses incident to the dissemination of health information in foreign countries through exhibits and other appropriate means; advances of funds for compensation, travel, and subsistence expenses (or per diem in lieu thereof) for persons coming from abroad to participate in health or

scientific activities of the Department pursuant to law; expenses of primary and secondary schooling of dependents in foreign countries, of Public Health Service commissioned officers stationed in foreign countries, at costs for any given area not in excess of those of the Department of Defense for the same area, when it is determined by the Secretary that the schools available in the locality are unable to provide adequately for the education of such dependents, and for the transportation of such dependents, between such schools and their places of residence when the schools are not accessible to such dependents by regular means of transportation; expenses for medical care for civilian and commissioned employees of the Public Health Service and their dependents, assigned abroad on a permanent basis in accordance with such regulations as the Secretary may provide; rental or lease of living quarters (for periods not exceeding five years), and provision of heat, fuel, and light and maintenance, improvement, and repair of such quarters, and advance payments therefor, for civilian officers, and employees of the Public Health Service who are United States citizens and who have a permanent station in a foreign country; purchase, erection, and maintenance of temporary or portable structures; and for the payment of compensation to consultants or individual scientists appointed for limited periods of time pursuant to section 207(f) or section 207(g) of the Public Health Service Act, at rates established by the Assistant Secretary for Health, or the Secretary where such action is required by statute, not to exceed the per diem rate equivalent to the rate for GS-18; not to exceed \$9,500 for official reception and representation expenses related to any health agency of the Department when specifically approved by the Assistant Secretary for Health.

Sec. 204. None of the funds contained in this Act shall be used to perform abortions except where the life of the mother would be endangered if the fetus were carried to term.

Abortion.

Sec. 205. Funds advanced to the National Institutes of Health Management Fund from appropriations in this Act shall be available for the expenses of sharing medical care facilities and resources pursuant to section 327A of the Public Health Service Act.

Sec. 206. Funds appropriated in this title for the Social Security Administration shall be available for not to exceed \$10,000 for official reception and representation expenses when specifically approved by the Commissioner of Social Security.

Sec. 207. Funds appropriated in this title for the Health Care Financing Administration shall be available for not to exceed \$2,000 for each fiscal year for official reception and representation expenses when specifically approved by the Administrator of the Health Care Financing Administration.

Sec. 208. No funds appropriated for the fiscal year ending September 30, 1989, by this or any other Act, may be used to pay basic pay, special pays, basic allowances for subsistence and basic allowances for quarters of the commissioned corps of the Public Health Service described in section 204 of title 42, United States Code, at a level that exceeds 110 percent of the Executive Level I annual rate of basic pay: *Provided*, That amounts received from employees of the Department in payment for room and board may be credited to the appropriation accounts which finance the services: *Provided further*, That none of the funds made available by this Act shall be used to provide special retention pay (bonuses) under paragraph (4) of 37 U.S.C. 302(a) to any regular or reserve medical officer of the Public Health Service for any period during which the officer is assigned to

42 USC 210 note.

other Federal agency, or recipient of Federal funds and be expended on any project that entails the capture or procurement of chimpanzees obtained from the wild.

(3) For purposes of this section, the term "recipient of Federal funds" includes private citizens, corporations, or other research institutions located outside of the United States that are recipients of Federal funds.

SEC. 219. During the 12-month period beginning October 1, 1988, none of the funds made available under this Act may be used to impose any reductions in payment, or to seek repayment from or to withhold any payment to any State pursuant to section 427 or 471 of the Social Security Act, as a result of a disallowance determination made in connection with a compliance review for any Federal fiscal year preceding Federal fiscal year 1989, until all judicial proceedings, including appeals, relating to such disallowance determination have been finally concluded, nor may such funds be used to conduct further compliance reviews with respect to any State which is a party to such judicial proceeding until such proceeding has been finally concluded.

Effective date.

This title may be cited as the "Department of Health and Human Services Appropriations Act, 1989".

TITLE III—DEPARTMENT OF EDUCATION

COMPENSATORY EDUCATION FOR THE DISADVANTAGED

Department of
Education
Appropriations
Act, 1989.

For carrying out the activities authorized by chapter 1 of title I of the Elementary and Secondary Education Act of 1965, as amended, \$4,625,755,000, of which a total of \$8,000,000 for purposes of sections 1437 and 1463 and \$4,000,000 for subpart 3 of part F, shall become available on October 1, 1988 and remain available until September 30, 1989, and may be expended by the Secretary at any time during that period; and the remaining \$4,613,755,000 shall become available on July 1, 1989 and shall remain available until September 30, 1990: *Provided*, That of these remaining funds, \$3,900,000,000 shall be available for the purposes of section 1005, \$175,000,000 shall be available for the purposes of section 1006, \$20,000,000 shall be available for the purposes of section 1017(d), \$15,000,000 shall be available for the purposes of part B, \$275,000,000 shall be available for the purposes of subpart 1 of part D, \$150,000,000 shall be available for the purposes of subpart 2 of part D, \$32,000,000 shall be available for the purposes of subpart 3 of part D, \$41,000,000 shall be available for the purposes of section 1404, and \$5,755,000 shall be available for the purposes of section 1405: *Provided further*, That no State shall receive less than \$340,000 under section 1006 from the amounts made available under this appropriation for section 1006.

For carrying out section 418A of the Higher Education Act, \$9,000,000.

IMPACT AID

For carrying out title I of the Act of September 30, 1950, as amended (20 U.S.C. ch. 13), \$717,000,000, of which \$15,000,000 shall be for entitlements under section 2 of said Act, and \$702,000,000 shall be for entitlements under section 3 of said Act of which \$565,000,000 shall be for entitlements under section 3(a) of said Act: *Provided*, That any school district that received an overpayment under section 2 in fiscal year 1984 funds and also received, through

SEC. 517. Notwithstanding any other provision of this Act, funds appropriated or otherwise made available which are not mandated by law for programs, projects or activities funded by this Act shall be reduced by 1.2 per centum.

This Act may be cited as the "Departments of Labor, Health and Human Services, and Education, and Related Agencies Appropriations Act, 1989"

Approved September 20, 1988.

LEGISLATIVE HISTORY—H.R. 4783:

HOUSE REPORTS: No. 100-689 (Comm. on Appropriations) and No. 100-880 (Comm. of Conference).

SENATE REPORTS: No. 100-399 (Comm. on Appropriations).

CONGRESSIONAL RECORD, Vol. 134 (1988):

June 15, considered and passed House.

July 25-27, considered and passed Senate, amended.

Sept. 9, House agreed to conference report; receded and concurred in certain Senate amendments, in others with amendments.

Sept. 12, Senate agreed to conference report; agreed to certain House amendments and insisted on its amendment No. 126.

Sept. 13, Senate receded from its amendment.

DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES, AND EDUCATION, AND RELATED AGENCIES APPROPRIATION BILL, 1989

JUNE 10, 1988.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. NATCHER, from the Committee on Appropriations,
submitted the following

REPORT

[To accompany H.R. 4783]

The Committee on Appropriations submits the following report in explanation of the accompanying bill making appropriations for the Departments of Labor, Health and Human Services and Education and related agencies for the fiscal year ending September 30, 1989, and for other purposes.

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SCOPE OF THE BILL

The bill funds the activities supported by the Department of Labor and the activities supported by the Department of Health and Human Services, with the exception of the Food and Drug Administration, the Indian Health Service, the Office of Consumer Affairs, and benefit payments from the unemployment, Social Security, and Medicare trust funds. The bill also funds the activities supported by the Department of Education, with the exception of Indian Education and the Institute of Museum Services. In addition, the bill funds the programs of 15 related agencies: Action, the Commission on Railroad Retirement Reform, the Federal Mediation and Conciliation Service, the Federal Mine Safety and Health Review Commission, the National Commission on Libraries and Information Sciences, the National Council on the Handicapped, the National Commission on Migrant Education, the National Commission on Responsibilities for Financing Postsecondary Education, the National Labor Relations Board, the National Mediation Board, the Occupational Safety and Health Review Commission, the Physician Payment Review Commission, the Prospective Payment Assessment Commission, the Railroad Retirement Board, and the Soldiers' and Airmen's Home. Appropriations for two of the related agencies which would normally be included in the bill (the Corporation for Public Broadcasting, and the United States Institute of Peace) are deferred, pending the enactment of legislation which would extend the authorizations for these appropriations beyond the current fiscal year.

HUMAN RESOURCES AND UNMET NEEDS

The programs funded in the bill should be considered investments in human resources. They emphasize primarily those groups who need the assistance of the community to achieve their full potential, such as children, the sick, the poor, the aged, the unemployed, the handicapped, and the disabled. The continued Federal investment in education, training, and biomedical research is essential to the health of our economy and to our Nation's future greatness. The challenge to the Committee in putting this bill together has been to find an acceptable balance between virtually unlimited needs and scarce resources.

SUMMARY OF ESTIMATES AND APPROPRIATIONS

The following table compares on a summary basis the appropriation for fiscal year 1988, the budget estimate for fiscal year 1989, and the Committee recommendations for fiscal year 1989 in the accompanying bill. In addition to these amounts, consideration of funding for a number of programs with budget estimates for 1989 totalling \$3,870,870,000 has been deferred because authorizations have not yet been enacted for these activities.

A large portion (72.5%) of the appropriations included in the bill is for entitlement programs in which funding levels are determined by the basic authorizing legislation. The bill includes \$98,774,147,000 for these entitlements, a decrease of \$265,041,000 below the amount requested by the President and an increase of

\$7,584,478,000 above the amounts available for these programs in fiscal year 1988. For discretionary programs, in which spending is controlled through the annual appropriation bill, the bill includes \$37,020,545,000 in fiscal year 1989, an increase of \$1,329,539,000 over the President's budget and an increase of \$2,031,277,000 over the amount available for these programs for fiscal year 1988. The bill also includes advance appropriations for fiscal year 1990 totalling \$14,791,000,000, an increase of \$1,041,000,000 over the comparable advances provided in the FY 1988 bill and the same amount requested by the President. The Committee has not considered budget estimates for fiscal years 1990 and 1991 totalling \$96 billion related to the President's request for a "biennial budget" for the Department of Health and Human Services.

[In thousands of dollars]

	Fiscal year 1988 comparable	Fiscal year 1989 budget	Fiscal year 1989 bill	Fiscal year 1989 bill compared to—	
				1988 comparable	1989 budget
Department of Labor	\$6,262,432	\$6,143,812	\$6,562,032	+\$299,600	+\$418,220
Department of Health and Human Services:					
Public Health Service:					
Health Resources and Services Ad- ministration	770,819	801,250	791,154	+ 20,335	— 10,096
Centers for Disease Control	667,567	770,759	819,941	+ 152,374	+ 49,182
National Institutes of Health	6,352,254	6,802,095	6,862,495	+ 510,241	+ 60,400
Alcohol, Drug Abuse and Mental Health Administration	493,098	525,594	531,594	+ 38,496	+ 6,000
Assistant Secretary for Health	138,509	180,831	169,831	+ 31,322	— 11,000
Subtotal, Public Health Service	8,422,247	9,080,529	9,175,015	+ 752,768	+ 94,480
Health Care Financing Administration ..	49,548,143	56,927,835	56,053,406	+ 6,505,263	— 874,429
Social Security Administration	10,575,090	10,196,165	10,196,165	— 378,925	.....
Family Support Administration	10,618,831	9,431,670	9,856,068	— 762,763	+ 424,398
Human Development Services	5,890,834	6,200,899	6,306,715	+ 415,881	+ 105,816
Departmental Management	124,825	135,782	139,136	+ 14,311	+ 3,354
Subtotal, HHS; Current year	85,179,970	91,972,880	91,726,505	+ 6,546,535	— 246,375
Advances for FY 1990	13,750,000	14,791,000	14,791,000	+ 1,041,000	.....
Total, HHS	98,929,970	106,763,880	106,517,505	+ 7,587,535	— 246,375
Department of Education	20,240,691	21,084,423	21,948,605	+ 1,707,914	+ 864,182
Related agencies	745,844	738,079	766,550	+ 20,706	+ 28,471
Grand Total: in bill	126,178,937	134,730,194	135,794,692	+ 9,615,755	+ 1,064,498
Current year	(112,428,937)	(119,939,194)	(121,003,692)	(+ 8,574,755)	(+ 1,064,498)
Mandatory	(77,439,669)	(84,248,188)	(83,983,147)	(+ 6,543,478)	(— 265,041)
Discretionary	(34,989,268)	(35,691,006)	(37,020,545)	(+ 2,031,277)	(+ 1,329,539)
Unauthorized, not considered	(3,005,062)	(3,870,870)	Defer	Defer	Defer

TOTAL APPROPRIATIONS FOR LABOR, HEALTH AND HUMAN SERVICES AND EDUCATION PROGRAMS

In addition to the amounts included in the bill, very large sums are automatically appropriated each year for labor, health and human services, and education programs without consideration by the Congress during the annual appropriations process. The principal items in this category are the receipts to the unemployment

compensation, social security, medicare, and railroad retirement trust funds. The detailed estimates for the trust fund and permanent appropriations are reflected in a table appearing in the back of this report. The outlays from these appropriations are a large element in the Federal budget. In the aggregate, total budget authority for labor, health and human services, and education programs considered in this bill would increase from \$506,781,838,000 in 1988 to \$543,081,392,000 in 1989, an increase of \$36,299,554,000. These elements are displayed in the following table:

[In thousands of dollars]

	Fiscal year—		
	1988	1989	Change
Annual appropriation bill	\$126,178,937	\$135,794,692	+\$9,615,755
Trust funds and permanent appropriations	418,889,625	452,670,934	+33,781,309
Deduct interfund payments	-38,286,724	-45,384,234	-7,097,510
Total current action	506,781,838	543,081,392	+36,299,554
1988 appropriations for items not yet considered	3,005,062		

BUDGET REQUESTS NOT CONSIDERED

The Committee has deferred consideration of budget requests for some appropriations, as well as portions of requests for other appropriations, because authorizing legislation for fiscal year 1989 had not been enacted when the Committee reported the bill. The Committee has reserved funds in its section 302(b) allocation for these programs. These funds will clearly be needed at a later date when the appropriate authorization bills have been enacted into law. Examples of unauthorized programs which have not been included in the bill at this time are as follows: homeless activities under the Stewart B. McKinney Homeless Assistance Act, community and migrant health centers, health professions training, health block grants, sexually-transmitted disease control, biomedical research training, cancer prevention and control, substance abuse programs, family planning, refugee and entrant assistance, runaway youth, temporary childcare/crisis nurseries, Corporation for Public Broadcasting, and the U.S. Institute of Peace. The total in the bill for discretionary programs together with the amount set aside for later funding of ongoing unauthorized programs, utilizes the full amount allocated to the Labor-HHS-Education Subcommittee under section 302(b) of the Budget Act (\$39,752,000,000).

The appropriation items deferred, together with the Administration request for each and the comparable appropriations for 1988 are shown in the following table:

BUDGET REQUESTS NOT CONSIDERED

	Fiscal year 1988 comparable	Fiscal year 1989 budget
Discretionary Programs:		
Department of Labor: Job training for the homeless	\$9,574,000	

BUDGET REQUESTS NOT CONSIDERED—Continued

	Fiscal year 1988 comparable	Fiscal year 1989 budget
Department of Health and Human Services:		
Health Resources and Services:		
Community health centers	395,210,000	\$400,000,000
Migrant health centers.....	43,466,000	44,423,000
Health care for the homeless.....	14,361,000	15,000,000
Health professions.....	202,383,000	40,000,000
Organ transplantation	6,032,000	4,000,000
Centers for Disease Control:		
Preventive Health block grant.....	85,733,000	85,659,000
Prevention centers	1,915,000	2,000,000
Sexually transmitted diseases	65,161,000	65,447,000
National Institutes of Health:		
Research training.....	235,247,000	239,674,000
Cancer prevention and control	69,778,000	71,278,000
Medical library assistance.....	9,414,000	9,790,000
Alcohol, Drug Abuse & Mental Health:		
Alcohol, Drug Abuse and Mental Health Block Grant.....	487,317,000	508,860,000
Substance Abuse Grants to State	155,917,000	165,917,000
Grants to States for the homeless	11,489,000	23,550,000
Research training.....	23,935,000	25,000,000
Community support demonstrations	19,148,000	26,235,000
Protection and advocacy	10,555,000	8,000,000
Drug abuse research.....	107,904,000	103,895,000
Alcoholism research	74,298,000	83,081,000
Prevention initiatives.....	34,198,000	34,264,000
Treatment outcome initiatives.....		2,310,000
Alcohol and Drug Abuse Program Support.....	21,270,000	21,707,000
Office of the Assistant Secretary for Health:		
Family planning.....	139,663,000	140,000,000
Adolescent family life.....	9,630,000	9,645,000
Family Support Administration:		
Refugee and Entrant Assistance	346,933,000	278,883,000
Work Incentives (WIN)	92,551,000	
Community Services, grants to States for the homeless.....	19,148,000	
Office of Human Development Services:		
Runaway Youth.....	26,089,000	26,089,000
Temporary childcare/crisis nurseries	4,787,000	4,787,000
Related Agencies:		
Corporation for Public Broadcasting Advance for 1991	(232,648,000)	(214,000,000)
U.S. Institute of Peace.....	4,308,000	3,376,000
New authorizations:		
Department of Labor: Worker readjustment (net).....		846,000,000
Total, Discretionary FY 1989 unauthorized	2,727,414,000	3,288,870,000
Mandatory programs:		
Foster Care Independent Living.....	45,000,000	
New Welfare Reform Training (net)		368,000,000
Grand total, unauthorized	3,005,062,000	3,870,870,000

BIENNIAL BUDGET

DEPARTMENT OF HEALTH AND HUMAN SERVICES

The President's budget requests additional funding for FY 1990 and 1991 for appropriation accounts within the Department of Health and Human Services. This is proposed as an experiment with the concept of a biennial budget. The Committee has taken no action with regard to these requests. However, in accordance with

its usual custom, the Committee has provided advance appropriations for the first quarter of fiscal year 1990 for cash and medical assistance entitlement programs of the Health Care Financing Administration, the Social Security Administration, and the Family Support Administration.

HIGHLIGHTS OF THE BILL

Acquired Immune Deficiency Syndrome (AIDS).—Appropriates \$1,234.5 million, an increase of \$308.3 million over the amount available in fiscal year 1988 for research, education and other activities directed at prevention and treatment of this fatal disease. This amount includes \$587.6 million for the National Institutes of Health, \$408.2 million for the Centers for Disease Control, \$177.6 million for the Alcohol, Drug Abuse and Mental Health Administration, \$40 million for the Health Resources and Services Administration and \$21.1 million for the Office of the Assistant Secretary for Health. This amount together with funds provided for the Food and Drug Administration, which is funded in the Rural Development Appropriations Bill, will bring the total amount available for 1989 to \$1,300 million.

Discretionary programs.—Appropriates \$37,021 million for discretionary programs, an increase of \$1,330 million over the President's budget and an increase of \$2,031 million over the comparable amounts available for 1988.

Unauthorized activities.—Defers consideration of budget estimates totalling \$3,871 million for programs not yet authorized for fiscal year 1989. This includes a variety of activities which were funded at a level of \$3,005 million in 1988. The Committee is holding funds in reserve under its section 302(b) budget allocation for later funding for unauthorized programs.

Training and employment services.—Appropriates \$3,786 million for the Job Training Partnership Act, an increase of \$355 million over the amount requested by the President. Included is \$763.6 million for the Job Corps, an increase of \$47.4 million over 1988.

Maternal and child health.—Includes \$550 million for grants to states for preventive, rehabilitative and primary health services for high-risk mothers and children, an increase of \$23.4 million over 1988.

Biomedical Research.—Provides \$6,862.5 million for currently authorized activities of the National Institutes of Health, an increase of \$60.4 million over the budget request and \$510.2 million over the 1988 amount. This amount includes \$587.6 million for AIDS, \$1,490 million for the National Cancer Institute, \$1,019 million for the National Heart, Lung and Blood Institute, \$546.9 million for the National Institute of Diabetes, Digestive, and Kidney Diseases, \$557 million for the National Institute of Neurological and Communicative Disorders and Stroke, \$732 million for the National Institute of Allergy and Infectious Diseases, \$623 million for the National Institute of General Medical Sciences, \$407.7 million for the National Institute of Child Health and Human Development, \$202 million for the National Institute on Aging, and \$156 million for the National Institute of Arthritis and Musculoskeletal and Skin Diseases. In addition, 1989 budget requests totalling \$320.7 million

for unauthorized activities throughout the Institutes are deferred for later action pending the extension of authorizing legislation.

Mental health.—Provides \$276.7 million for mental health research, an increase of \$23.1 million over the 1988 level.

Medicaid.—Provides \$32,732 million for Grants to States for fiscal year 1989, an increase of \$2,075 million over the amount appropriated for 1988.

Social Security Administration.—Provides for the expenditure of \$3,705 million from the Social Security trust funds for administrative expenses, an increase of \$180 million over the 1988 level.

Family Support Administration.—Appropriates \$10,355 million for Family Support Payments to States, the same amount requested for FY 1989. This amount includes \$8,618 million for Aid to Families with Dependent Children (AFDC), and \$413 million for Child Support Enforcement.

Low-income home energy assistance.—Appropriates \$1,567 million for the Energy Assistance Block Grant, an increase of \$380 million over the President's budget request and \$35 million over the 1988 appropriation.

Headstart.—Provides \$1,250 million for the Headstart program, an increase of \$43.6 million over the 1988 level.

Compensatory education for the disadvantaged.—Appropriates \$4,663.7 million for Chapter 1 of the Education Consolidation and Improvement Act, an increase of \$97.6 million over the President's request and \$336 million over the amount available in 1988.

Impact aid.—Provides \$740 million for the Impact Aid program, an increase of \$148 million over the budget request. This amount provides \$137 million for payments for category "b" children, an activity which the budget proposed to eliminate.

School improvement programs.—Provides \$1,118.5 million, including \$489.5 million for State block grants under Chapter 2 of the Elementary and Secondary Education Act.

Bilingual education.—Provides a total of \$201.8 million including \$30 million for immigrant education and \$15 million for refugee education.

Education for the handicapped.—Appropriates \$1,921.9 million, an increase over 1988 of \$53 million, including \$19.7 million for projects for the deaf-blind and other severely handicapped, \$23.4 million for early childhood education and \$66.4 million for special education personnel development.

Rehabilitation services and handicapped research.—Appropriates \$1,656.5 million, including \$1,441.6 million for vocational rehabilitation State grants and \$54 million for the National Institute on Disability and Rehabilitation Research.

Vocational and adult education.—Provides \$1,092 million, an increase of \$76.8 million over 1988, including \$848.3 million for vocational education basic grants, and \$166.7 million for adult education.

Student financial assistance.—Appropriates \$5,908 million, including \$4,522 million to support an estimated 3.4 million Pell grants, \$460 million for Supplemental Educational Opportunity Grants, \$635 million for work-study grants, \$185.7 million for Perkins loans, and \$78 million for State student incentive grants.

of fewer permanent change of station moves and two fewer days of pay. The bill also includes a financing shift to provide additional funds for contracts.

OFFICE OF THE INSPECTOR GENERAL

The bill provides \$39,497,000 in general funds and authority to transfer \$5,701,000 from the Employment Security Administration account in the Unemployment Trust Fund (UTF). The general fund amount represents an increase of \$2,446,000 over the 1988 level, while the Unemployment Trust Fund amount decreases by \$500,000 from the 1988 level. The Black Lung Disability Trust Fund (BLDTF) amount is \$515,000, an increase of \$9,000 over the 1988 level. The combined general and trust fund dollars available to the Inspector General in 1989 are \$45,713,000, which is the same as the Administration's request and an increase of \$1,955,000 over the 1988 amount of \$43,758,000.

The Committee has approved the 542 full-time equivalent (FTE) staff contained in the budget request. This represents 12 additional FTEs over 1988. Seventy-one of the 542 FTEs will be financed by transfer of \$6,216,000 from trust funds, 62 FTEs from the UTF and 9 from the BLDTF.

The bill provides for mandatory increases over 1988 for items such as within-grade promotions, the annualization of the pay increase effective January 1988, audit contract costs, space rental, communication and equipment. The bill includes requested program increases of 14 FTEs and \$805,000 to increase enforcement activities of the Office of Labor Racketeering and 3 FTEs and \$274,000 for participation in the President's Council on Integrity and Efficiency activities, for a total of 17 new FTEs. The bill also includes a reduction of 5 FTEs to reflect a change in the method of payment for Office of Audit activities.

TITLE II—DEPARTMENT OF HEALTH AND HUMAN SERVICES

ACQUIRED IMMUNE DEFICIENCY SYNDROME (AIDS)

The bill includes a total of \$1,234,580,000 for all activities associated with acquired immune deficiency syndrome (AIDS). That amount, together with funds provided to the Food and Drug Administration in another appropriations bill, brings the fiscal year 1989 total for AIDS to \$1,300,000,000. This is an increase (including FDA funds) of \$348,961,000 over the 1988 amount, or 37 percent. The President's budget request for AIDS is \$1,300,000,000 (including FDA). Appropriations for AIDS have grown dramatically over the past several years as shown below:

Fiscal year:

1984.....	\$61,460,000
1985.....	108,618,000
1986.....	233,793,000
1987.....	502,455,000
1988.....	951,039,000
1989 (proposed).....	1,300,000,000

The Committee has elected not to place the AIDS funds provided in this bill in one consolidated account in the Office of the Assist-

ant Secretary for Health, as proposed in the budget request. The amounts have instead been appropriated directly to each Public Health Service agency and institute involved. Provision has been made for the Secretary to reprogram funds upon the approval of the House and Senate Committees on Appropriations.

In addition to the amount the Committee expects to be spent by the PHS agencies in fiscal year 1989 on AIDS, the Federal Government will spend another \$893,000,000 on AIDS treatment, testing, and research through Medicaid, Medicare, Social Security, the Department of Labor, the Department of Defense, the Veterans Administration, the Department of State, the Agency for International Development and the Department of Justice. In summary, the Federal Government will spend nearly \$2,200,000,000 on AIDS in fiscal year 1989 as shown in the following table:

Public Health Service	\$1,300,000,000
Medicaid (Federal Share)	600,000,000
Medicare	25,000,000
Social Security	111,000,000
Labor Department	1,000,000
Defense Department	52,000,000
Veterans Administration	66,000,000
State Department	2,000,000
Agency for International Development	30,000,000
Justice/Bureau of Prisons	6,000,000
Total, Federal Government	2,193,000,000

The following table shows the amounts included in this bill for each agency and institute along with the 1988 amounts and the President's budget request:

	Fiscal year 1988 comparable	Fiscal year 1989 budget request	Committee recommendation	Recommendation compared with—	
				Fiscal year 1988 comparable	Fiscal year 1989 request
ACQUIRED IMMUNE DEFICIENCY SYNDROME [AIDS]					
Health Resources and Services Administration:					
Training of health personnel.....	\$11,106,000	\$23,000,000	\$15,000,000	+\$3,894,000	—\$8,000,000
Facilities renovation grants.....	6,702,000		5,000,000	—1,702,000	+ 5,000,000
Pediatric health care demonstration ¹	4,787,000	5,000,000	8,000,000	+ 3,213,000	+ 3,000,000
Service demonstrations, general.....	14,361,000	10,567,000	10,567,000	— 3,794,000	
Program support		1,449,000	1,449,000	+ 1,449,000	
Subtotal, HRSA.....	36,956,000	40,016,000	40,016,000	+ 3,060,000	
Centers for Disease Control.....	304,942,000	400,719,000	408,219,000	+ 103,277,000	+ 7,500,000
National Institutes of Health:					
National Cancer Institute.....	89,944,000	125,280,000	125,280,000	+ 35,336,000	
National Heart, Lung, and Blood Institute.....	24,738,000	39,032,000	39,032,000	+ 14,294,000	
National Institute of Dental Research.....	3,169,000	3,526,000	3,526,000	+ 357,000	
National Institute of Diabetes, Digestive, and Kidney Diseases.....	3,351,000	3,650,000	3,650,000	+ 299,000	
National Institute of Neurological and Com- municative Disorders and Stroke.....	12,212,000	13,393,000	13,393,000	+ 1,181,000	
National Institute of Allergy and Infectious Diseases.....	223,728,000	310,268,000	310,268,000	+ 86,540,000	
National Institute of General Medical Sci- ences.....	2,394,000	11,100,000	11,100,000	+ 8,706,000	
National Institute of Child Health and Human Development.....	14,292,000	20,443,000	20,443,000	+ 6,151,000	
National Eye Institute.....	3,830,000	4,947,000	4,947,000	+ 1,117,000	

Vaccines against childhood disease are universally recommended to protect the public health at large, as well as for each individual. Because a small number of individuals each year suffer tragic side effects, the no-fault compensation system provides an appropriate and effective remedy for assisting these people.

In addition there is an \$80 million appropriation authorized annually for fiscal years 1989-1992 for compensation of claims for vaccine-related injuries or deaths occurring before October 1, 1988. However, the Committee has decided to permit payment of these retroactive claims from the Trust Fund in 1989. After it is known how much was actually required to pay these claims, an appropriation would be made to reimburse the Trust Fund.

HEALTH CARE FINANCING ADMINISTRATION

GRANTS TO STATES FOR MEDICAID

The bill includes \$32,732,589,000 for the mandatory Federal share of State Medicaid costs in FY 1989. This amount includes \$8,000,000,000 advance funded in the 1988 appropriation. In addition the bill provides an advance appropriation of \$9,000,000,000 towards FY 1990 program costs. The amount recommended in the bill for FY 1989 is the amount requested by the President and is \$2,075,657,000 over the comparable amount appropriated last year. These funds are paid to the States under the matching provisions of Title XIX of the Social Security Act. Under these provisions the Federal government reimburses the States for an average of 55 percent of their expenditures in providing health insurance for eligible individuals whose income and assets fall below specified levels and who are otherwise eligible under the law. States have broad authority within the law to set eligibility, coverage and payment levels. The specific matching rate for each State varies from 50 to 80 percent depending on the relative per capita income in a State. It is estimated that nearly 25 million low income individuals will be provided health care services in FY 1989 under the Medicaid program.

While the Committee has approved the President's request for these grants, the most recent analysis by the Congressional Budget Office of program costs indicates a shortfall of approximately \$1.5 billion under current law. Should the President's mid-session budget review, due on July 15, 1988, confirm this requirement, the Committee expects the President to submit a revised budget for this account. In the event that a shortfall does occur the Committee has included indefinite appropriation language for the last quarter of 1989 in order to avoid program interruptions.

PAYMENTS TO HEALTH CARE TRUST FUNDS

The bill includes \$31,277,000,000 for the Payments to the Health Care Trust Funds account. This is an increase of \$5,334,000,000 above the level requested by the President. This entitlement account includes the general fund subsidy to the Medicare Part B trust fund as well as other reimbursements to the Medicare trust funds for benefits and related administrative costs which have not been financed by payroll taxes or premium contributions.

\$30,712,000,000 of the amount recommended is for the part B subsidy which now supports 75 percent of this program. The Committee has reduced the budget request based on the most recent estimate of costs under current law prepared by the Congressional Budget Office.

The Committee continues to be concerned about the extraordinary growth in this account. Like the recent sharp increases in the Part B premium, the growth in the payments account reflects the continuing rise in the cost of the Part B program.

PROGRAM MANAGEMENT

The bill includes \$93,817,000 in general funds and \$1,769,919,000 in trust funds for Federal administration of the Medicare and Medicaid programs. This is \$391,940,000 more than the comparable amount available for this purpose for fiscal year 1988 and \$7,066,000 less than the amount requested by the President. This appropriation will support 3,892 full-time-equivalent positions, 154 less than requested by the Administration. The amounts included for various activities together with the budget request and the comparable appropriation for FY 1988 are displayed on the following table:

	Fiscal year 1988 comparable	Fiscal year 1989 budget request	Fiscal year 1989 committee bill
Research, Demonstration, and Evaluation:			
Federal Funds.....	\$9,574,000	\$11,429,000	\$10,000,000
Trust Funds.....	(17,233,000)	(20,571,000)	(20,000,000)
Subtotal, Research.....	26,807,000	32,000,000	30,000,000
Rural Hospital Transition Grants.....			(3,000,000)
Medicare Contractors (Trust Funds):			
Operating Funds.....	(1,122,073,000)	(1,391,000,000)	(1,291,000,000)
Contingency Fund.....	(57,444,000)	0	(100,000,000)
Subtotal, Contractors.....	(1,179,517,000)	(1,391,000,000)	(1,391,000,000)
Catastrophic Insurance Contingency (Trust Funds)	47,870,000	112,400,000	112,400,000
State Certification:			
Medicare Certification, Trust Funds.....	(57,922,000)	(62,235,000)	(62,235,000)
General Program Support, Federal Funds	7,937,000	3,624,000	3,624,000
Subtotal, State Certification.....	65,859,000	65,859,000	65,859,000
Federal Administration:			
Federal Funds.....	82,257,000	81,750,000	81,750,000
Less User Fees.....	-1,557,000	-1,557,000	-1,557,000
Trust Funds.....	(171,570,000)	(189,350,000)	(181,284,000)
Subtotal, Federal Administration.....	252,270,000	269,543,000	261,477,000

Research.—The bill includes \$30,000,000 for research and demonstrations. This is \$2,000,000 less than the amount requested by the Administration but \$3,193,000 more than the comparable amount available in FY 1988. These funds support a variety of studies to improve information about the Medicare and Medicaid population and the health industry that provides services to these individuals.

The Committee continues to have concerns about the timeliness and quality of some of HCFA's research products. While there has

been improvement in the agency's performance, continued emphasis should be placed on upgrading the management of research in HCFA, given the deficiencies noted in the past and the importance of this research to the beneficiaries of Medicare and Medicaid services.

The Committee expects the HCFA will continue to conduct research and demonstrations on how Medicare and Medicaid can be used to better care for Alzheimers victims and their families. The Administrator should be prepared to discuss progress in this area when the fiscal year 1990 budget is presented to the Committee. The Committee further notes its interest that available funds be focused on areas of substantial long term interest including quality of and access to care, in home and ambulatory care, special populations including racial minorities and long term care options.

Rural Hospital Transition Grants.—The bill includes \$3,000,000 to initiate a new grant program to assist rural hospitals who are experiencing severe financial difficulties because of recent changes in the Medicare program including the switch to a fixed-price, prospective payment system. These grants are authorized under section 4005(e) of the 1987 Reconciliation Act. Grants are limited to \$50,000 each for not to exceed two years. These funds will assist eligible hospitals to plan and implement changes in the type of services being provided in order to remain fiscally viable. The Committee intends that these grants should be made to those rural hospitals where there is a demonstrated need for health services and to give priority to areas where the applicant hospital is the sole provider of health services.

Medicare Contractors.—The bill provides \$1,391,000,000 to support Medicare claims processing contracts. This is the amount requested by the President and an increase of \$207,010,000 over the amount of funds expected to be obligated for this purpose for fiscal year 1988. While the Committee has approved the amount requested, it is not convinced that the full amount will be required in 1989. \$100 million has therefore been placed in a contingency reserve. This follows earlier Congressional practice when there was uncertainty about these requirements. The Medicare program is administered largely by Medicare contractors who are responsible for paying Medicare beneficiaries and providers in a timely and fiscally responsible manner. These contractors, most of which are insurance companies, provide information, guidance, and technical support to both providers of services and beneficiaries on the administration of the Medicare program. The Committee continues to believe that, in the management of the contractor program, first priority should be given to the quality and timeliness of the claims processing functions. The Committee also believes it is essential to expand efforts to induce more physicians to become participating providers and expects expenditures for this activity to be expanded in 1989.

Catastrophic health insurance contingency.—The bill includes \$112,400,000 as a contingency reserve for the implementation of a catastrophic health insurance program if enacted into law. This is in addition to \$47,870,000 allocated for this purpose in 1988. While it is not possible to accurately estimate these costs prior to enact-

ment, the Committee believes it is essential that funds be available as early as possible to begin this important new program.

Inspections of Nursing Homes and Other Facilities.—The bill includes \$62,235,000 for State inspection of nursing homes and other facilities serving Medicare beneficiaries. An additional \$3,624,000 is earmarked for contract support, which includes oversight of psychiatric hospitals. This is the same total amount for Medicare survey and certification available in FY 1988 and the same amount requested in the budget. The purpose of this activity is to ensure that institutions and agencies providing care to Medicare patients meet acceptable standards of quality and safety. The sums provided here are in addition to funds for Medicaid reviews funded under the Grants to States account. \$54,711,000 has been provided under Medicaid for Federal administration of the inspection program the same amount requested in the budget.

Federal administration.—The bill includes \$261,477,000 to support Federal administrative activities related to the Medicare and Medicaid programs. This is \$8,066,000 less than the President's budget request and an increase of \$9,207,000 over the amount available for FY 1988. The funds recommended will support a staffing level of 3,892 FTE's, an increase of 63 over the 1988 level. The Committee has not approved an additional 154 FTE's for the Medicare hearings and appeals function which the budget proposed to transfer to HCFA from SSA. The Comptroller General has recommended to the Committee that such a transfer not take place until the concept is further developed by the Agency. The catastrophic contingency fund would support an additional 50 FTE's if catastrophic health insurance is enacted. The Committee believes this staffing level will restore HCFA to a level that will permit the agency to manage its increasingly complex programs. The Committee believes that a small number of the additional FTE's should be allocated to the Office of Research and Demonstrations.

Office of Prepaid Health Care.—The Committee continues to be concerned over the effectiveness of the Office of Prepaid Health's management of risk contracts for Medicare beneficiaries. As was requested last year, the Department is to continue to provide the Committee with annual reports on Medicare's use of Health Maintenance Organizations and Competitive Medical Plans. The Office is also to report on progress in expanding both the number of risk contracts and the number of beneficiaries participating in such risk contracts.

Peer Review Organizations.—In recent reconciliation legislation, the Congress has increased the role of Peer Review Organizations (PRO) in monitoring and assuring the quality of health care services provided under Medicare. This increased responsibility needs to be accompanied by the increased development of quality assurance methodologies to be used by the PROs and for technical assistance to the PROs. The Committee expects that HCFA, through its Health Standards and Quality Bureau will utilize its current funding to develop improved quality assurance methodologies that apply to review of particular care settings, especially in the areas of ambulatory care, home health care and HMOs, and to review whole episodes of care across settings. The Committee requests that HCFA be prepared to testify to the Committee on the progress

made on PRO research and technical assistance when it presents the 1990 budget.

SOCIAL SECURITY ADMINISTRATION

PAYMENTS TO SOCIAL SECURITY TRUST FUNDS

The bill includes \$93,631,000 for mandatory payments necessary to compensate the Social Security system for cash benefits paid out, but for which no payroll tax is received. This is the same amount requested in the budget and a decrease of \$11,667,000 from the amount available in FY 1988. These funds reimburse the Old-Age and Survivors Insurance (OASI) and Disability Insurance (DI) Trust Funds for special payments to certain uninsured persons, pension reform, and unnegotiated checks. This appropriation restores the trust funds to the position they would have been in had they not borne these costs, properly charged to the general funds.

The amount provided includes \$42,606,000 for the cost of special payments to certain uninsured persons. These individuals, whose average age is now 93, reached retirement age before they could accumulate sufficient wage credits to qualify for benefits under the normal retirement formulas. Also included in this account is \$1,025,000 for reimbursements to the trust funds for administrative costs incurred in providing private pension plan information to individuals, and \$50,000,000 to reimburse the trust funds for the value of unnegotiated Social Security benefit checks.

SPECIAL BENEFITS FOR DISABLED COAL MINERS

The bill includes \$878,581,000 for special benefits for disabled coal miners in FY 1989 including \$250,000,000 advance funded in FY 1988. This is the same amount requested in the budget and \$37,321,000 below the amount appropriated for FY 1988.

This appropriation provides for cash benefits to miners who are disabled because of black lung disease, and to widows and children of miners. The Social Security Administration was responsible for taking, processing, and paying claims for miners' benefits filed from December 30, 1969 through June 30, 1973. Since that time, it has continued to take claims, but forwards most of them to the Department of Labor for adjudication and payment. The Social Security Administration retains jurisdiction for some new claims for survivors of miners and will continue to pay benefits and maintain the beneficiary roll for the lifetime of all persons who filed during its jurisdiction. During FY 1989, there are expected to be 236,000 miners, widows, and dependents who will be receiving monthly benefits which are paid by the Social Security Administration from this appropriation. The basic black lung benefit is 37½ percent of the amount paid to Federal employees in step 1 of grade GS-2. In addition to funds for FY 1989, the bill also includes an advance appropriation of \$211,000,000 for the first quarter of FY 1990.

SUPPLEMENTAL SECURITY INCOME PROGRAM

The bill provides \$12,473,953,000 for FY 1989 for the Supplemental Security Income program including \$3,000,000,000 advance funded in FY 1988. This is the same amount requested in the

budget and \$97,387,000 less than the current estimate for FY 1988. The reason for this decrease is that the FY 1989 estimate reflects 12 monthly benefit payments compared to 13 monthly payments in FY 1988. This occurs because October 1, 1989 falls on a weekend. By law, payment must be advanced to a banking day, which is in September of the preceding fiscal year.

These funds are used to pay Federal cash benefits to approximately 4.2 million aged, blind, and disabled persons with little or no income. The maximum monthly Federal benefit payable in FY 1989 under present law is estimated to be \$369 for an individual or \$554 for a couple. In addition to federal benefits, the Social Security Administration administers a program of supplementary State benefits for those States who choose to participate.

In addition to the funds for FY 1989 the bill also includes an advance appropriation of \$2,936,000,000 for the first quarter of FY 1990.

SOCIAL SECURITY TRUST FUND

LIMITATION ON ADMINISTRATIVE EXPENSES

The bill includes authority to spend \$3,705,000,000 in FY 1989 from the Social Security trust funds for administrative expenses of the Social Security Administration. This is \$70,661,000 less than the amount requested by the President but an increase of \$180,886,000 over the FY 1988 limitation. This increase is necessary because all FY 1988 automatic data processing and telecommunications expenses are being financed from budget authority carried over from prior years. When both carried over and new budget authority are considered, total budgetary resources and program costs remain relatively unchanged from FY 1988 to FY 1989. The Committee has reduced the amount requested by the President based on a history of unusually large carryover balances in the data processing and telecommunications account. In addition, the Committee notes that this account has lapsed significant amounts of funds in past years including \$179.5 million in 1987. The Committee bill includes \$97.9 million of these funds in the contingency reserve instead of \$47.9 as proposed in the budget.

These funds support approximately 66,000 Social Security employees, computer support, resources for State disability agencies which make initial and continuing disability determinations, and other administrative costs. More than 40 million beneficiaries receive a Social Security or Supplemental Security Income check each month, and cash payments are expected to reach \$229 billion during FY 1989.

SSA Staffing—The President's budget assumes a staffing level during fiscal year 1989 of 66,305 work years. This is a reduction of 3,765 work years from the 1988 level and a reduction of almost 20,000 work years from the level 5 years ago. The Committee is pleased that this downsizing will save the trust funds more than \$500 million annually but is concerned by the impact which continued reductions beyond those proposed for 1989 may have on service levels to the public and on employee morale. The Committee has relied on quarterly reports from the Commissioner, annual reports from the Comptroller General and intermittent report's from the

Inspector General as evidence that the reductions to date have not had an adverse effect on the public. In fact service has for the most part improved during this period. The Committee intends that Social Security continue its reports to the Committee and that these reports be submitted semi-annually beginning on February 1, 1989.

The Committee was assured by the Commissioner during her testimony before the Committee that the 1989 staffing reductions could be accomplished entirely through attrition and further that there would be no unusual number of office closings.

The Committee is concerned, however, by recent surveys of Social Security managers which indicate significant morale problems within the agency. The Committee requests the Comptroller General to include in its annual report to Congress a survey of SSA managers to determine their views on agency performance. The Committee understands that this type of survey is done with strict confidentiality and that no information will be made available which can be matched to individual managers. The Committee is particularly interested in how morale problems at SSA compare with those in other similar federal organizations. While morale problems may be to a certain extent unavoidable during such a large change in the structure and size of the agency, The Committee believes that it is absolutely essential that the Commissioner deal aggressively with this problem. If not corrected, morale problems will almost certainly affect service over time.

Research and Demonstration Projects—As authorized under the 1987 Budget Reconciliation Act (P.L. 100-203), the Committee directs the Social Security Administration to provide not to exceed \$1 million to establish projects to demonstrate special procedures to ensure that homeless individuals are provided SSI and other benefits to which they are entitled. These projects are intended to be designed to address special problems related to the characteristics of the homeless, such as: homeless individuals are often difficult to locate and contact; they have limited ability to find information needed to make application; and they are often incapable or reluctant to follow through the claims process.

FAMILY SUPPORT ADMINISTRATION

The bill includes \$12,500,068,000 for programs administered by the Family Support Administration (FSA). This new agency was created in April 1986 in a reorganization of departmental programs serving disadvantaged families. These programs include Aid to Families with Dependent Children, child support enforcement, low income home energy assistance, refugee and entrant assistance, community services, activities and Work Incentives (WIN). Funds have not been included in this bill for the refugee program which has not been reauthorized for fiscal year 1989. The Committee has also deferred reconsideration of funding for the WIN program due to uncertainties about the scope and organization of job training activities for welfare recipients under new legislation currently before the Congress. Funds for WIN will be considered as soon as possible after enactment of welfare reform or in the FY 1989 Con-

tinuing Resolution if the new legislation has not been finally acted upon by October 1, 1988.

FAMILY SUPPORT PAYMENTS TO STATES

The bill includes authority to spend \$10,355,137,000 during FY 1989 for Family Support Payments to States. This is the same level requested by the President and \$769,863,000 less than the comparable appropriation for FY 1989. The FY 1989 amount includes \$2,500,000,000 advance funded last year. The Committee has also included the traditional first quarter advance which is \$2,664,000,000 for FY 1990.

This appropriation combines appropriations for the assistance payments and child support enforcement programs. The assistance payments programs are State and local programs administered by State welfare agencies under individual plans developed by each State in conformity with Federal requirements and regulations. The largest of the programs is Aid to Families with Dependent Children (AFDC) which provides basic cash benefits for needy children deprived of parental support by the death, disability, or absence of the parent from the home. The Child Support program was created to enforce the support obligations owed by absent parents to their children and the spouse (or former spouse) with which such child is living, locate absent parents, establish paternity and assure that assistance in obtaining support is available to all children for whom such assistance is requested.

While the Committee has approved the President's request for this entitlement account, the most recent analysis of costs under current law indicates that this estimate may be understated by more than \$800 million. Should the President's mid-session review, due on July 15th confirm this shortfall, the Committee expects the President to submit a revised request for this account. In the event that this is not done, the Committee has included indefinite appropriation language in the bill to prevent any disruption in payments.

LOW INCOME HOME ENERGY ASSISTANCE

The bill includes \$1,567,000,000 to carry out programs of energy assistance for low income households authorized under Title XXVI of the Omnibus Budget Reconciliation Act of 1981. This amount is \$380,000,000 over the budget request and \$35,160,000 above the level appropriated in fiscal year 1988.

This program provides assistance to low income households in meeting the costs of home energy. Funds are provided through block grants to States, Indian tribes, Puerto Rico and the territories for their use in programs tailored to meet the energy assistance requirements of their jurisdiction. States have flexibility in determining payment levels and types of payments, including cash payments to vendors on behalf of eligible households, or energy vouchers. Up to 10 percent of the funds payable to a State may be used to pay State planning and administrative costs. A grantee may also transfer 10 percent of the funds to other block grant programs or hold up to 15 percent of the funds payable to it and not transferred for obligation in the subsequent fiscal year.

The reduction proposed in the President's budget is based on the assumption that State energy programs can be maintained in 1988 at lower federal costs due to the availability of additional funds from oil overcharge settlements, most notably the EXXON and Stripper Well cases. The General Accounting Office has just completed a study of this issue, however, and its conclusions are that these programs have already been reduced in 1988 and are likely to decline further in 1989 if federal energy assistance funds are reduced. For this reason the Committee has recommended that funds be added to the President's request to restore funding to the 1988 level plus an adjustment for inflation.

COMMUNITY SERVICES BLOCK GRANT

The bill includes \$354,398,000 for the Community Services Block Grant program. This is a decrease of \$8,744,000 below the comparable 1988 appropriation but \$44,398,000 over the budget request. The Committee has not acted at this time on funding for homeless activities which are not currently authorized. No funds were requested for this program in the President's budget. The President's budget was based on a policy of phasing out the community services programs which have not been approved by the Committee.

For Block Grant activities, the bill includes \$315,000,000 an increase of \$32,900,000 over the budget request but \$10,516,000 below the amount appropriated in 1988. This program provides grants to States to provide services to reduce poverty, including services to meet employment, education, housing, nutrition, energy, emergency services, and health needs. Each State requesting funds under the block grant program must certify in its application that the State agrees to provide a range of services and activities having a measurable impact on causes of poverty in the community, and assist low-income participants, including the elderly. Under the law the majority of these funds are "passed-through" to local community action agencies which have previously provided services to the disadvantaged.

The bill also includes \$34,132,000 for discretionary activities, an increase of \$1,772,000 over the 1988 amount. These activities provide assistance to private, locally initiated community development programs which sponsor enterprises providing employment, training and business development opportunities for low-income residents.

Funds have been earmarked in the bill for the following special emphasis programs:

Community Economic Development	\$20,000,000
Rural Housing	3,925,000
Assistant to migrant and seasonal farmworkers	2,968,000
National Youth Sports	7,000,000
Technical assistance	239,000

The Committee bill also includes \$2,872,000 for the Community Partnership program. This program provides 50 percent matching grants to local communities to develop new techniques to alleviate poverty. Programs involve States, universities, foundations and private industry in shared projects.

For Community Food and Nutrition, the Committee recommends \$2,394,000, the same amount provided in 1988. This program pro-

vides funding to community-based statewide agencies to help relieve hunger and poverty by assisting low-income communities to identify potential sponsors of child nutrition programs and to initiate new programs in underserved or unserved areas. The Committee wishes to note its awareness that OCS is not holding a new competition for FY 1988 funding under the Food and Nutrition program, but is instead limiting applicants to those organizations who had already applied for funds in FY 1987. The Committee further wishes to note and commend the Administrator's commitment, expressed in Committee hearings, that this practice will not be repeated, and that future year appropriations will be accompanied by open annual competition.

The Committee also directs OCS to reinstate the practice of considering the cost of preparing applications for the rural housing program to be an eligible activity for reimbursement under this program.

PROGRAM ADMINISTRATION

The Committee recommends \$79,533,000 for Program Administration. This is the same amount as the Administration's request and \$69,000 above the comparable appropriation for FY 1988. The Committee bill provides for a staffing level of 1,012 full time equivalent positions, a reduction of 30 positions from FY 1988.

This account provides resources for the Family Support Administration (FSA) to administer the various programs under its jurisdiction. FSA provides policy direction and guidance to States and other interested parties through its preparation of regulations, responses to inquiries, analysis of court suits, written policy positions, development of ADP systems, administration of grants, reviews for quality control, and formulation and execution of FSA's budgets.

ASSISTANT SECRETARY FOR HUMAN DEVELOPMENT SERVICES

SOCIAL SERVICES BLOCK GRANT

The bill includes \$2,700,000,000, the same as the budget request and the full amount authorized for fiscal year 1989.

The social services block grant program is designed to encourage each State, as far as practicable to furnish a variety of social services best suited to the needs of individuals residing within the State. Beginning with fiscal year 1982 the social services block grant replaced grants to States for social services, child day care, and State and local training.

Social services block grant funds are distributed to the territories in the same ratio such funds were allocated to territories in 1981. The remainder of the appropriation is distributed to the States and the District of Columbia according to relative State population.

HUMAN DEVELOPMENT SERVICES

The bill includes \$2,531,808,000, an increase of \$105,816,000 over the budget request and \$107,152,000 over the 1988 appropriation.

The Committee has deferred consideration of appropriations for Runaway Youth, and Temporary Child Care and Crisis Nurseries

because authorizing legislation for these programs was not enacted when the Committee reported the bill.

Included in the budget is a proposed consolidation of eight selected research, training, and discretionary programs, for which \$76,650,000 is requested as a single line item. The Committee has not approved this proposed consolidation, and instead has continued funding each program separately.

Programs for children, youth, and families

The bill includes \$1,250,000,000 for Head Start, an increase of \$43,676,000 over the budget request and the amount appropriated for 1988. The Head Start program provides comprehensive support and early childhood development services for children from low-income families. In 1989, approximately 24,250 Head Start classrooms will provide nutrition, education, and health-related and other social services to children up to age five. Emphasis will also be placed on special services to handicapped children, and on the involvement of parents in the early development of their children. In the continuing effort to provide support to the whole family, Head Start programs will also employ almost 25,000 parents of current or former Head Start children in 1989. The amount recommended in the bill will provide services to an estimated 454,000 children, while assuring quality of services. This is an increase in the number of children served of 7,500 over 1987.

The Committee has included \$20,000,000 to initiate the new comprehensive Child Development Program authorized by Public Law 100-297. There was no budget request for this program. The purpose of this program is to provide financial assistance to projects on a multiyear basis, that—

- (1) are designed to encourage intensive, comprehensive, integrated, and continuous supportive services for infants and young children from low-income families;

- (2) will enhance their physical, social, emotional, and intellectual development and provide support to their parents and other family members; and

- (3) target services on infants and young children from families who have incomes below the poverty line and who, because of environmental, health, or other factors, need intensive and comprehensive supportive services to enhance their development.

Under this program, the Secretary is authorized to make operating grants to eligible agencies in rural and urban areas to pay the Federal share of the cost of projects designed to encourage intensive and comprehensive supportive services which will enhance the physical, social, emotional, and intellectual development of low-income children from birth to compulsory school age, including providing necessary support to their parents and other family members.

The bill includes \$1,436,000 for child development associate scholarships, the same as the budget request and the amount available for 1988. This program provides grants for scholarships to financially needy persons who are candidates for the child development associate credential.

For child abuse prevention and treatment, the Committee recommends \$30,093,000, an increase of \$511,000 over fiscal year 1988. The total amount recommended includes \$12,000,000 for State grants, \$13,306,000 for child abuse discretionary projects, and \$4,787,000 for challenge grants. The programs attempt to improve and increase activities at all levels of government which identify, prevent, and treat child abuse and neglect through State grants, technical assistance, research, demonstration, and service improvement.

Of the funds provided for child abuse discretionary activities, \$300,000 are intended for a parent self-help program of demonstrated effectiveness which is national in scope.

The bill includes \$8,377,000 for dependent care planning and development, the same as the amount available for 1987. This program provides 75% Federal matching grants for dependent care services, including before-and after-school care and local resource and referral systems providing information on dependent care services.

The Committee recommends \$8,138,000 for family violence prevention and services, the same as the budget request and the amount available for 1988. This program is designed to demonstrate the effectiveness of assisting States in efforts to prevent family violence and to provide immediate shelter and related assistance for victims of family violence and their dependents, and to provide for technical assistance and training relating to family violence programs to State, local public agencies (including law enforcement agencies), nonprofit private organizations, and persons seeking such assistance.

The bill includes \$249,350,000 for child welfare services, an increase of \$10,000,000 over the amount available in 1988 and the budget request. This program provides grants to States to assist public welfare agencies establish, extend, and strengthen child welfare services in order to enable children to remain in their homes under the care of their parents, or, where that is not possible, to provide alternative permanent homes for them. Current law requires States to meet certain conditions in order to receive additional "incentive" funds.

The bill includes \$3,660,000 for child welfare training, the same amount available for 1988 and the budget request. This program provides teaching and traineeship grants to schools of social work to train social workers in the speciality of child welfare.

The bill includes \$10,857,000 for child welfare research, the same amount available for 1988 and the budget request. This program provides grants and contracts for projects in areas such as child welfare, child care, youth development, and child and family development.

This Committee recommends \$4,787,000 for adoption opportunities, the same as the fiscal 1988 appropriation and the budget request. This activity funds a national adoption data gathering and analysis system, including a national information exchange, and implements adoption training and technical assistance programs.

Programs for the aging

For programs administered by the Administration on Aging, the Committee recommends a total of \$757,040,000, an increase of \$31,629,000 over the budget request, and \$31,618,000 over the 1988 appropriation.

The Committee has included \$278,000,000, an increase of \$9,928,000 over the budget request for support services and centers. Funds for this program are awarded to each State with an approved State plan. The formula under title III of the Older Americans Act mandates that no State be allotted less than the total amount allotted to it in fiscal year 1984. The statute also requires that additional funds be distributed on the basis of each State's proportionate share of the total age 60 and over population, with no State receiving less than one-half of one percent of the funds awarded. The funds contained in the bill will support coordinated, comprehensive service delivery systems.

The bill also includes \$957,000 to continue support for the long term care ombudsman activities as requested in the budget.

For congregate nutrition services the Committee included \$362,000,000, an increase of \$17,336,000 over the budget request and the amount available for fiscal year 1988. For home delivered nutrition services the Committee provides \$80,000,000, an increase of \$4,365,000 over the budget request and the amount available for fiscal year 1988. Both programs are intended to address some of the difficulties confronting older individuals, namely: nutrition deficiencies due to inadequate income, lack of adequate facilities to prepare foods, and social isolation. The agency estimates that over 236 million meals will be provided either in congregate sites or through the home delivery program.

The bill provides \$7,181,000 for grants to Indian tribes. The amount provided is the same as the budget request and the fiscal year 1988 appropriation. Funds under this program are awarded to tribal organizations to be used to promote opportunities for older Indians, to secure and maintain independence and self-sufficiency, and to provide transportation, nutrition, health screening and other services to help meet the needs of this population.

For research, training, and special projects under Title IV of the Older Americans Act the Committee recommends \$23,935,000, the same amount as appropriated for 1988. Funds under this program are used to support education and training activities for personnel working in the field of aging and to finance research, development, and demonstration projects.

The Committee expects the Administration on Aging to maintain the following activities under Title IV: rural demonstrations; training and career preparation training; research; national aging organizations which provide special representation and outreach services for the minority elderly; and demonstrations to assist victims of Alzheimer's disease and other neurological disorders of the Alzheimer's type and their families in receiving supportive services.

The Committee continues to be concerned with the participation rates of minority persons, and poor elderly in Title III supportive service and nutrition programs. The Committee requests the Administration on Aging to provide a report to the Committee prior

to the FY90 budget hearings on the participation rates of these special populations and what actions are being taken to ensure that special populations are being adequately served by Older Americans Act Programs.

The Committee also expects the Administration on Aging to continue to fund national legal services support and demonstration projects. National legal services support and demonstration projects mean those which: (1) are conducted by national nonprofit legal assistance organizations which provide support and demonstrations on a national basis to local legal assistance providers; and (2) provide national legal assistance support and demonstrations to local legal assistance providers or state and area agencies on aging for the purpose of providing, developing or supporting legal assistance for older individuals, including case consultations; training; provision of substantive legal advice and assistance; and assistance in the design, implementation, and administration of free legal assistance delivery systems.

The Committee commends the Administration on Aging for consulting with national aging organizations to develop a sound, relevant, and substantive program announcement for fiscal year 1989. The Committee strongly believes that this dialogue can help to improve the administration of title IV and to make research, training, and demonstration activities even more beneficial for older Americans.

For frail elderly in home services the bill includes \$4,787,000 the budget request and the same as was appropriated for 1988. These funds will be used to assist frail older persons in maintaining their independence and self-sufficiency. By supporting the provision of services to frail older people in their homes, the requested funds will help the vulnerable elderly avoid institutionalization and increase their access to needed assistance.

The Committee is concerned that, despite the intent of the authorizing provisions and report language contained in Public Law 100-175, some uncertainty remains as to the propriety of locating Area Agencies on Aging within an umbrella agency such as a regional development commission. The Committee believes that umbrella agencies such as regional development commissions, regional planning districts, and councils of government have been effective vehicles for the delivery of quality services to the elderly at the local level. The Committee supports the statutory intent on this matter permitting the continued inclusion of area agencies within an umbrella agency, and believes that continuation of this existing service delivery system is fully consistent with the intent of the statute.

Developmental disabilities

For programs authorized by the Developmental Disabilities Assistance Act, the Committee recommends \$92,867,000, the same amount available for fiscal year 1988, and the budget request. The total includes \$58,401,000 for allotments to the States for planning, coordination, administration, and services for persons with developmental disabilities. These activities will allow States to continue programs which help developmentally disabled persons achieve a greater degree of independence, productivity and integration into

the community. In addition, \$19,148,000 will be available to the States to be used for operating an advocacy program to protect the rights of the developmentally disabled. The bill includes \$2,872,000, the same as the budget request for continuation of special projects that provide States with technical assistance in developing new technology and applying innovative methods which support the basic mission of the program.

The Committee approves the budget request of \$12,446,000 for grants to university affiliated facilities and satellite centers to support the cost of administering and operating demonstration facilities and interdisciplinary training programs.

In view of recent amendments to both the Development Disabilities Act and the Older Americans Act that place greater emphases on planning, training and service provision to elderly persons with developmental disabilities, the Committee urges the Administration on Aging and the Administration on Developmental Disabilities to jointly fund projects in areas where they have similar legislative mandates and target populations. Such coordination is necessary because of the rapidly increasing number of older Americans with life-long disabilities. Current national estimates establish that by the year 2000, four out of every one thousand persons above the age of fifty five will face a handicapping condition.

Native American programs

The bill includes \$29,679,000 the amount requested in the budget, and the same as the 1988 appropriation. The Administration for Native Americans assists Indian Tribes and Native American organizations to plan and implement their own long-term strategies for social and economic development. In promoting social and economic self-sufficiency, this organization provides financial assistance through direct grants and interagency agreements. The 1989 level will fund approximately 215 individual projects, training and technical assistance, and research and demonstration programs.

Program direction

The Committee approves the budget request of \$65,524,000 for program direction, an increase of \$1,347,000 over 1988. This amount will:

- support 1,025 full-time equivalent positions and related expenses, a decrease of 1 full-time equivalent position from the 1988 current estimate of 1,026;

- provide standard operating expenses including built-in increases for annualization of the 1988 pay raise, within-grade increases and rent charges; and

- continue to provide data processing, word processing and management systems for the Office of Human Development Services.

PAYMENTS TO STATES FOR FOSTER CARE AND ADOPTION ASSISTANCE

The bill includes \$1,074,907,000, the amount requested in the budget, and an increase of \$308,729,000 over the 1988 appropriation.

The amount includes \$940,971,000 for the Foster Care program, which provides maintenance payments for children who must live

outside their homes. This is an increase of \$282,793,000 over the 1988 level. The 1989 amount reflects increased State claims, particularly for administrative costs, and a slight increase in the average monthly number of children in foster care to 115,000. The amount for Foster Care includes \$108,930,000 to pay prior year claims.

The total also includes \$133,936,000 for Adoption Assistance, which represents an increase of \$25,936,000 over the 1988 appropriation. This program provides an alternative to long, inappropriate stays in foster care by helping to develop permanent placements with caring families. In 1989, 48 States plus the District of Columbia are expected to use this program compared to only three States in 1980. The 1989 amount also reflects increased State expenditures and continued growth in the number of children assisted to nearly 44,000 children.

GENERAL DEPARTMENTAL MANAGEMENT

The bill includes \$68,160,000, the same amount as the budget request and an increase of \$320,000 over the comparable amount for 1988. Also included is authority to spend \$7,000,000 from the social security trust fund, the same as the budget request and an increase of \$298,000 over the authority granted in 1988.

This appropriation supports those activities that are associated with the Secretary's roles as policy officer and general manager of the Department. The Office of the Secretary also implements Administration and Congressional directives, and provides assistance, direction and coordination to the headquarters, regions and field organizations of the Department.

The amount recommended includes built-in increases in personnel compensation and benefits, space rental and inflation. The Committee has also approved program increases recommended in the budget for office automation, building renovations and 14 additional FTEs. Increases are offset by decreases in rental costs, partial absorption of salary increases and a lower working capital fund payment.

OFFICE OF THE INSPECTOR GENERAL

The bill includes \$46,430,000, the same as the budget request and an increase of \$10,661,000 over the 1988 amount. The Committee has also approved the requested trust fund transfer of \$40,000,000, an increase of \$1,704,000 over the 1988 amount.

The Office of the Inspector General was created by law in 1976 to protect the integrity of Departmental programs as well as the health and welfare of beneficiaries served by those programs. Through a comprehensive program of audits, investigations, inspections and program evaluations, the OIG reduces the incidence of fraud, waste, abuse and mismanagement, and promotes economy, efficiency and effectiveness throughout the Department.

The amount recommended includes built-in increases for personnel compensation and benefits, space rental, travel, contract audits and auditor training, and equipment. Increases are offset by decreases in payment for working capital fund services. The Commit-

tee has approved program increases for travel, computer expenses, consultant costs and an additional 66 FTEs.

OFFICE FOR CIVIL RIGHTS

The bill includes \$16,173,000, the amount requested and a decrease of \$170,000 below the 1988 level. Also included is authority to transfer \$4,000,000 from the social security trust funds, an increase of \$170,000 over the 1988 amount.

The Office for Civil Rights is responsible for enforcing civil rights statutes that prohibit discrimination in health and human services programs. OCR implements the civil rights laws through a broad-scale compliance program designed to generate voluntary compliance among all HHS recipients.

The amount recommended includes built-in increases for personnel compensation and benefits, space rental, travel and inflation. Increases are offset by program decreases resulting from attrition, reduction of FERS and a lower working capital fund payment. The recommendation provides 325 full-time-equivalent positions, a decrease of 25 below the 1988 level. The agency plans to achieve this reduction through attrition.

POLICY RESEARCH

The bill includes \$8,373,000, an increase of \$3,354,000 over the budget request and \$3,500,000 over the amount available in 1988.

The Policy Research account, authorized by section 1110 of the Social Security Act, is the Department's principal source of policy-relevant data and research on the income sources of low-income populations; the impact, effectiveness, and distribution of benefits under existing and proposed programs; and other issues that cut across agency lines. The program is intended to analyze issues that cannot be carried out by other departmental research programs or under existing evaluation activity.

The amount recommended maintains funding at the 1988 operating level. The \$3,500,000 increase provided by the Committee will continue Federal support for the work being performed at the Institute for Research on Poverty.

The Committee notes the Social Security Administration's plans to continue concentrating its research and demonstration activity on assisting Federal program beneficiaries in securing employment, and urges that a demonstration project be undertaken which would establish a women's resource center within at least one urban four-year institution of higher education for women. This center should develop a comprehensive approach to identifying and meeting the educational and career training needs of single women/heads of households in order to reduce welfare dependency.

TITLE III—DEPARTMENT OF EDUCATION

COMPENSATORY EDUCATION FOR THE DISADVANTAGED

The bill includes \$4,672,619,000 for Compensatory Education for the Disadvantaged, an increase of \$106,535,000 over the budget request and \$336,076,000 above the 1988 appropriation. Of this total for Compensatory Education for the Disadvantaged, the Committee

through productivity improvements, rental of office space and guard services, and one less day of pay.

NATIONAL MEDIATION BOARD

SALARIES AND EXPENSES

The bill includes \$6,551,000, the budget request and a decrease of \$453,000 from the 1988 amount. The Committee has approved the requested number of 58 full-time equivalent (FTE) staff for the Board, the same as the 1988 level.

The National Mediation Board mediates disputes over wages, hours and working conditions which arise between the employees and those railroad and airline carriers subject to the Railway Labor Act. The Board also administers the procedures to resolve representation disputes involving labor organizations which seek to represent railroad or airline employees.

The bill includes \$1,800,000 for adjustment of railroad grievances, a decrease of \$498,000 below the 1988 level. It is anticipated by the Board that less funds will be needed in 1989 because of the results of the railroad labor-management committee's continuing efforts to improve the system. Increases are provided for costs associated with such things as personnel compensation and benefits, travel, communications, rental of office space, printing, equipment, court reporting services, and ADP time-sharing services.

OCCUPATIONAL SAFETY AND HEALTH REVIEW COMMISSION

SALARIES AND EXPENSES

The bill includes \$6,002,000, the budget request and an increase of \$117,000 over the amount available for 1988. The Committee has approved the requested number of 90 full-time equivalent (FTE) staff, an increase of 11 over the 1988 level. The additional staff will be needed to cover the expected increase of 18 percent in caseload and to provide for a full complement of three commissioners.

The Review Commission was established pursuant to the Occupational Safety and Health Act of 1970. The agency adjudicates issues in dispute between the Department of Labor's Occupational Safety and Health Administration (OSHA) and employers (or their employees) to whom OSHA has issued citations charging a violation of the Act.

The bill includes increases primarily for personnel compensation and benefits, rental of office space, and telephone services. Increases are partially offset by decreases in travel and transportation, printing and reproduction, court reporting, equipment, supplies and materials, building maintenance and alterations and other administrative costs.

PHYSICIAN PAYMENT REVIEW COMMISSION

SALARIES AND EXPENSES

The bill includes authority to transfer \$3,059,000 from the Federal Supplementary Medical Insurance Trust Fund to support the activities of the Physician Payment Review Commission. The amount

provided is the same amount as requested by the Commission and an increase of \$62,000 over the amount available in 1988.

First authorized by the Reconciliation Act of 1985 (Public Law 99-272), the Commission serves as an independent agency established to advise Congress and the Secretary of Health and Human Services on matters relating to Medicare physician reimbursement. The Commission, whose 13 members are appointed by the Director of the Office of Technology Assessment, is required by law to report to Congress each year on methods of adjusting levels of reasonable physician charges, setting physician payment rates, and making payments for physician services.

The bill includes built-in increases for personnel compensation and benefits, travel, rental of office space, computer services, communications, and printing. The Commission is restricted by law to a staff of not to exceed 25 positions plus an executive director.

PROSPECTIVE PAYMENT ASSESSMENT COMMISSION

SALARIES AND EXPENSES

The bill includes authority to transfer \$3,664,000 from the Medicare trust funds to support the activities of the Prospective Payment Assessment Commission. The amount recommended by the Committee is the same as requested by the Commission and an increase of \$72,000 over the amount available in 1988.

The Prospective Payment Assessment Commission was established by Congress by P.L. 98-121 to advise and assist the Congress and the Secretary of Health and Human Services in maintaining and updating the Medicare prospective payment system. The Commission is assigned a broad range of duties under the law, including recommending annually to the Secretary of HHS the appropriate percentage change in the payments made under Medicare for inpatient hospital care, and recommending necessary changes in the diagnosis related groups (DRG's). The Commission issues several reports required by Congress including recommendations on the annual update of Medicare hospital payments as well as a general report on the impact of the prospective payment system on the American health care system.

The amount provided will support 17 Commissioners, an executive director and a staff of not more than 25 full-time equivalents. The Committee has provided \$1,175,000 for research and \$2,489,000 for administration and management.

RAILROAD RETIREMENT BOARD

DUAL BENEFITS PAYMENTS ACCOUNT

The bill includes \$355,000,000, an increase of \$18,815,000 over the budget request and \$2,677,000 over the amount currently available for 1988. Entitlement to dual benefits was eliminated in 1974; however, the law protected the future benefits of eligible individuals. The Railroad Retirement Act of 1974 also mandated that these benefits be paid from general revenues. The increase provided in the bill will be used to pay the full amount of dual benefits to those retirees receiving both railroad retirement and social security benefits. The bill also allows part of the funds to be derived from

**COMPARATIVE STATEMENT OF NEW BUDGET (OBLIGATIONAL) AUTHORITY FOR 1988 AND THE
BUDGET ESTIMATES FOR 1989
PERMANENT NEW BUDGET (OBLIGATIONAL) AUTHORITY—FEDERAL AND TRUST FUNDS**

[Becomes available automatically under earlier, or "permanent" law without further, or annual action by the Congress. Thus, these amounts are not included in the accompanying bill.]

Agency and item	New budget (obligational) authority, 1988	New budget (obligational) authority, 1989	Fiscal year 1989 compared with fiscal year 1988
FEDERAL FUNDS			
DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Health Care Financing Administration:			
Grants to States for Medicaid.....	7,100,000,000	8,000,000,000	+900,000,000
Payments to health care trust funds.....	537,000,000	541,000,000	+4,000,000
Social Security Administration:			
Payments to Social Security trust funds.....	5,736,533,000	6,253,165,000	+516,632,000
Special benefits for disabled coal miners.....	252,450,000	250,000,000	-2,450,000
Supplemental security income program.....	2,765,000,000	3,000,000,000	+235,000,000
Total, Social Security Administration.....	8,753,983,000	9,503,165,000	+749,182,000
Family Support Administration:			
Family support payments to States.....	2,480,615,000	2,500,000,000	+19,385,000
Interim assistance to States for legalization....	930,000,000	645,000,000	-285,000,000
Payments to states from receipts for child support	88,000	---	-88,000
Total, Family Support Administration.....	3,410,703,000	3,145,000,000	-265,703,000
Total, Department of Health and Human Services..	19,801,686,000	21,189,165,000	+1,387,479,000
DEPARTMENT OF EDUCATION			
Office of Vocational and Adult Education.....	7,148,000	7,148,000	---

CORPORATION FOR PUBLIC BROADCASTING

Public broadcasting fund.....	214,000,000	228,000,000	+14,000,000
RAILROAD RETIREMENT BOARD			
Federal windfall subsidy.....	---	28,000,000	+28,000,000
Federal Payments to Railroad Retirement Accounts.....	2,725,700,000	2,914,300,000	+188,600,000
Total, permanent new budget (obligational) authority, Federal funds.....	22,748,534,000	24,366,613,000	+1,618,079,000

TRUST FUNDS

DEPARTMENT OF LABOR

Employment and Training Administration:			
Unemployment trust funds.....	26,200,000,000	26,100,000,000	-100,000,000
Special workers' compensation expenses.....	80,000,000	87,000,000	+7,000,000
Gifts and bequests, Secretary of Labor and National Commission for Employment Policy.....	10,000	10,000	---
Total, Department of Labor.....	26,280,010,000	26,187,010,000	-93,000,000

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Assistant Secretary for Health:			
Public Health Service trust funds.....	8,124,000	8,124,000	---
Health Care Financing Administration:			
Federal hospital insurance trust fund.....	67,857,500,000	72,794,000,000	+4,936,500,000
Federal supplementary medical insurance trust fund	34,871,000,000	42,855,000,000	+7,984,000,000
Federal old-age survivors insurance trust fund 1/.	234,993,587,000	255,550,434,000	+20,556,847,000
Federal disability insurance trust fund 1/.....	22,316,000,000	24,132,000,000	+1,816,000,000
Total, Department of Health and Human Services..	360,046,211,000	395,339,558,000	+35,293,347,000

**COMPARATIVE STATEMENT OF NEW BUDGET (OBLIGATIONAL) AUTHORITY FOR FISCAL YEAR 1988
AND BUDGET ESTIMATES AND AMOUNTS RECOMMENDED IN THE BILL FOR FISCAL YEAR
1989—Continued**

Agency and item	Bill compared with.—				
	New budget (obligational) authority, fiscal year 1988	Budget estimates of new obligational authority, fiscal year 1989	New budget (obligational) authority recommended in bill	New budget (obligational) authority, fiscal year 1988	Budget estimates of new (obligational) authority, fiscal year 1989
Health Care Financing Administration					
Grants to States for Medicaid.....	30,656,932,000	32,732,589,000	32,732,589,000	+2,075,657,000	---
Appropriation available from prior year advance...	-7,100,000,000	-8,000,000,000	-8,000,000,000	-900,000,000	---
Total, adjusted appropriation.....	23,556,932,000	24,732,589,000	24,732,589,000	+1,175,657,000	---
New advance, biennial budget, FY 1990.....	8,000,000,000	9,000,000,000	9,000,000,000	+1,000,000,000	---
Payments to health care trust funds.....	25,893,000,000	32,100,000,000	31,227,000,000	+5,334,000,000	-873,000,000
Program management.....	98,211,000	95,246,000	93,817,000	-4,394,000	-1,429,000
(Limitation on trust fund transfer).....	(1,373,585,000)	(1,775,556,000)	(1,769,919,000)	(+396,334,000)	(-5,637,000)
Total, Health Care Financing Administration (Federal funds):					
New budget (obligational) authority.....	57,548,143,000	65,927,835,000	65,053,406,000	+7,505,263,000	-874,429,000
Appropriations, 1989.....	(49,548,143,000)	(56,927,835,000)	(56,053,406,000)	(+6,505,263,000)	(-874,429,000)
Appropriations, 1990.....	(8,000,000,000)	(9,000,000,000)	(9,000,000,000)	(+1,000,000,000)	---
(Limitation on trust fund transfer).....	(1,373,585,000)	(1,775,556,000)	(1,769,919,000)	(+396,334,000)	(-5,637,000)
Social Security Administration					
Payments to social security trust funds.....	105,298,000	93,631,000	93,631,000	-11,667,000	---
Special benefits for disabled coal miners:					
Direct appropriation.....	915,902,000	878,581,000	878,581,000	-37,321,000	---
Appropriation available from prior year advance...	-252,450,000	-250,000,000	-250,000,000	+2,450,000	---
Total, fiscal year 1988 appropriation current request.....	663,452,000	628,581,000	628,581,000	-34,871,000	---
New advance, biennial budget, FY 1990.....	250,000,000	211,000,000	211,000,000	-39,000,000	---

Total, special benefits for disabled coal miners	913,452,000	839,581,000	839,581,000	-73,871,000	---
Supplemental security income program:					
Direct appropriation.....	12,571,340,000	12,473,953,000	12,473,953,000	-97,387,000	---
Appropriation available from prior year advance...	-2,765,000,000	-3,000,000,000	-3,000,000,000	-235,000,000	---
Total, fiscal year 1989 appropriation current request.....	9,806,340,000	9,473,953,000	9,473,953,000	-332,387,000	---
New advance, biennial budget, FY 1990.....	3,000,000,000	2,936,000,000	2,936,000,000	-64,000,000	---
Total, supplemental security income program.....	12,806,340,000	12,409,953,000	12,409,953,000	-396,387,000	---
Limitation on administrative expenses: Trust funds....	(3,524,114,000)	(3,775,661,000)	(3,705,000,000)	(+180,886,000)	(-70,661,000)
Total, Social Security Administration:					
New budget (obligational) authority.....	13,825,090,000	13,343,165,000	13,343,165,000	-481,925,000	---
Appropriations, 1989.....	(10,575,090,000)	(10,196,165,000)	(10,196,165,000)	(-378,925,000)	---
Appropriations, 1990.....	(3,250,000,000)	(3,147,000,000)	(3,147,000,000)	(-103,000,000)	---
(Limitation on administrative expenses).....	(3,524,114,000)	(3,775,661,000)	(3,705,000,000)	(+180,886,000)	(-70,661,000)
Family Support Administration					
Family support payments to States:					
Direct appropriation.....	11,125,000,000	10,355,137,000	10,355,137,000	-769,863,000	---
Appropriation available from prior year advance...	-2,480,615,000	-2,500,000,000	-2,500,000,000	-19,385,000	---
Total, fiscal year 1988 appropriation current request.....	8,644,385,000	7,855,137,000	7,855,137,000	-789,248,000	---
(Unauthorized).....	---	(368,000,000)	---	---	DEFER
New advance, biennial budget, FY 1990.....	2,500,000,000	2,644,000,000	2,644,000,000	+144,000,000	---
Total, family support payments.....	11,144,385,000	10,499,137,000	10,499,137,000	-645,248,000	---
Low income home energy assistance.....	1,531,840,000	1,187,000,000	1,567,000,000	+35,160,000	+380,000,000
Refugee and entrant assistance.....	(346,933,000)	(278,883,000)	---	---	DEFER
Work incentives.....	(92,551,000)	---	---	---	DEFER
Community services block grant.....	363,142,000	310,000,000	354,398,000	-8,744,000	+44,398,000
(Unauthorized).....	(19,148,000)	---	---	---	DEFER
Program administration.....	79,464,000	79,533,000	79,533,000	+69,000	---
Total, Family Support Administration.....	13,118,831,000	12,075,670,000	12,500,068,000	-618,763,000	+424,398,000
(Unauthorized).....	(458,632,000)	(646,883,000)	---	---	DEFER

COMPARATIVE STATEMENT OF NEW BUDGET (OBLIGATIONAL) AUTHORITY FOR FISCAL YEAR 1988
AND BUDGET ESTIMATES AND AMOUNTS RECOMMENDED IN THE BILL FOR FISCAL YEAR
1989—Continued

Agency and item	Bill compared with—			
	New budget (obligational) authority, fiscal year 1988	Budget estimates of new (obligational) authority, fiscal year 1989	New budget (obligational) authority recommended in bill	New budget (obligational) authority, fiscal year 1988
Assistant Secretary for Human Development Services				
Social Services Block Grant.....	2,700,000,000	2,700,000,000	2,700,000,000	---
Human development services.....	2,424,656,000	2,425,992,000	2,531,808,000	+107,152,000
(Unauthorized).....	(30,876,000)	(30,876,000)	DEFER	DEFER
Family Social Services.....	766,178,000	1,074,907,000	1,074,907,000	+308,729,000
(Unauthorized).....	(45,000,000)	---	DEFER	DEFER
Total, Human Development Services.....	5,890,834,000	6,200,899,000	6,306,715,000	+415,881,000
(Unauthorized).....	(75,876,000)	(30,876,000)	DEFER	DEFER
Departmental Management				
General departmental management.....	67,840,000	68,160,000	68,160,000	+320,000
(Limitation on trust fund transfer).....	(6,702,000)	(7,000,000)	(7,000,000)	(+298,000)
Office of the Inspector General.....	35,769,000	46,430,000	46,430,000	+10,661,000
(Limitation on trust fund transfer).....	(38,296,000)	(40,000,000)	(40,000,000)	(+1,704,000)
Office for Civil Rights.....	16,343,000	16,173,000	16,173,000	-170,000
(Limitation on trust fund transfer).....	(3,830,000)	(4,000,000)	(4,000,000)	(+170,000)
Policy research.....	4,873,000	5,019,000	8,373,000	+3,500,000
Total, Departmental Management.....	124,825,000	135,782,000	139,136,000	+14,311,000
(Limitation on trust fund transfer).....	(48,828,000)	(51,000,000)	(51,000,000)	(+2,172,000)
Total, title II, Department of Health and Human Services:				
New budget (obligational) authority.....	98,929,970,000	106,763,880,000	106,517,505,000	+7,587,535,000
				-246,375,000

DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES,
AND EDUCATION AND RELATED AGENCIES APPROPRI-
ATION BILL, 1989

JUNE 23, 1988.—Ordered to be printed

Mr. CHILES, from the Committee on Appropriations,
submitted the following

REPORT

[To accompany H.R. 4783]

The Committee on Appropriations, to which was referred the bill (H.R. 4783) making appropriations for the Departments of Labor, Health and Human Services, and Education and related agencies for the fiscal year ending September 30, 1989, and for other purposes, reports the same to the Senate with various amendments and presents herewith information relative to the changes recommended.

Amount of budget authority

Amount of House bill.....	\$135,794,692,000
Amount of Senate bill over House bill.....	+ 4,634,049,000
Total bill as reported to Senate.....	+ 140,428,741,000
Amount of adjusted appropriations, 1988	129,183,999,000
Budget estimates, 1989.....	138,601,064,000
The bill as reported to the Senate:	
Over the adjusted appropriations for 1988.....	+ 11,244,742,000
Over the budget estimates for 1989.....	+ 1,827,677,000

¹Includes \$3,257,921,000 for budget requests and new programs not considered by the House, but addressed by the Senate Appropriations Committee. Amounts include subsequent year advances, but exclude prior-year advances.

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SUMMARY OF BUDGET ESTIMATES AND COMMITTEE RECOMMENDATIONS

For fiscal year 1989, the Committee recommends total budget authority of \$140,428,741,000 for the Departments of Labor, Health and Human Services, Education and Related Agencies. Of this amount, \$14,847,000,000 is for subsequent year advances. Mandatory programs amount to \$101,009,241,000, or 72 percent of the total. The remaining \$39,419,500,000, or 28 percent, is for discretionary appropriations, which is an increase of \$439,624,000 over the President's budget request and \$1,702,818,000 more than the enacted fiscal year 1988 level.

Like the House, the Committee did not consider full-year 1990 advance appropriations for several entitlement accounts, but instead maintained fiscal 1990 first quarter advances; the President's request level has been adjusted accordingly for comparability purposes.

The Committee recommendation includes \$3,257,921,000 for programs deferred by the House, which is \$252,859,000 above fiscal year 1988 enacted appropriations. These are primarily existing programs in the process of being reauthorized or replaced by new legislation.

ALLOCATION CEILING

Consistent with Budget Committee scorekeeping, the recommendations result in discretionary outlays of \$45.04 billion, the full amount of the subcommittee's discretionary allocation pursuant to section 302(b) of the Congressional Budget Act of 1974, as printed in Senate Report 100-384. Total discretionary budget authority is \$39.42 billion, or for the full allocation ceiling.

HIGHLIGHTS OF THE BILL

Job training programs.—\$3,757,328,000 is included for programs authorized under the Job Training Partnership Act, as well as \$47,870,000 for activities under trade adjustment legislation. Included within the \$736,135,000 Job Corps recommendation is \$12,000,000 for startup costs of up to six new centers.

Employment of older Americans.—\$350,000,000 provides approximately 67,000 jobs for low-income individuals aged 55 and over, an increase of 2,200 average enrollments.

State Employment Security agencies.—\$2,510,723,000 maintains current services for unemployment insurance operations, and restores \$50,000,000 over enacted levels for local employment service offices;

\$19,500,000 is also included to continue the Targeted Jobs Tax Credit program, for which no funds were requested by the administration.

Safety and health.—\$246,851,000 is for the Occupational Safety and Health Administration, with a \$2,000,000 increase over the budget request for expanded enforcement activities.

Black lung.—\$691,394,000 is provided for Labor Department black lung benefit payments and administrative costs, including \$3,180,000 over the request to restore proposed staffing cutbacks.

AIDS.—\$1,244,580,000 is recommended for research, prevention, information and education activities for acquired immune deficiency syndrome [AIDS] related programs. This is an increase of \$10,000,000 over the administration request and \$10,000,000 over the House. The Committee recommendation will support a wide range of AIDS-related activities including research, epidemiological studies, health care delivery systems, and public and professional education activities.

Alzheimer's.—\$133,690,000 is included for all activities associated with finding the cause, cure and better treatment methods for Alzheimer's disease. This is a \$43,690,333 increase over the funding level provided in fiscal year 1988, and by this increase the Committee intends a significantly higher priority be placed on Alzheimer's.

Funds for the homeless.—The Committee recommendation provides \$62,730,000 for homeless programs authorized under existing statute, allocated as follows:

Job training	\$12,000,000
Primary Health Care Grant Program	15,000,000
Mental health block grant	14,300,000
Mental health demonstrations	4,650,000
Substance abuse demonstrations	4,600,000
Education Department programs	12,180,000
Total	62,730,000

Maternal and child health.—\$561,000,000, the fully authorized level, is included in the Committee recommendation. Community health centers are funded at \$419,850,000.

Infant mortality initiative.—The Committee has expanded the infant mortality initiative funded last year by \$15,000,000, to cover costs of medical malpractice insurance for 450 obstetrical providers, including obstetrician-gynecologists, family practitioners, nurse-midwives and nurse practitioners; to place and support an additional 248 obstetrical providers through the National Health Service Corps [NHSC]; and, to provide NHSC loan repayment assistance to approximately 140 obstetrical providers.

Centers for Disease Control [CDC].—\$979,357,000 is recommended for the CDC. This includes \$384,419,000 for AIDS-related activities. Childhood immunization is funded at \$163,488,000, which is \$61,900,000 more than the President's request to cover costs for a new three dose series of H influenzae b. vaccine, State operations, vaccine stockpile, and reporting requirements. Sexually transmitted diseases are funded at \$70,947,000, an increase of \$5,500,000 over the President's request.

National Institutes of Health [NIH].—\$7,199,298,000 is recommended for NIH. This is an increase of \$76,461,000 over the President's request. Within the total \$613,630,000 is recommended for AIDS.

Mental health research.—\$297,044,000 is provided for non-AIDS mental health research, an increase of \$43,379,000 above the 1988 appropriation and \$25,277,000 above the administration request. Funding increases will support higher levels of schizophrenia and Alzheimer's disease research.

Drug abuse treatment.—\$180,000,000 is provided for the substance abuse treatment block grant to States, an increase of \$24,083,000 above the 1988 appropriation and \$14,083,000 above the administration request. This increase in funding is provided in recognition of the urgent need for expansion of State and local drug treatment facilities.

Office of the Assistant Secretary for Health [OASH].—\$1,000,000 has been provided for rural health research in the National Center for Health Services Research; \$7,500,000 has been provided for patient outcomes research.

Medicare contractors.—\$1,551,000,000 is provided for Medicare contractor costs, which is \$47,600,000 more than the President's request. Of that amount, \$160,000,000 is provided to implement the Medicare Catastrophic Health Insurance Program.

Social Security Administration.—\$3,820,000,000 is included for administrative costs of the Social Security Administration, restoring proposed staffing cutbacks, with bill language requiring a minimum of 66,545 full-time equivalent positions.

Family Support Administration.—\$8,204,337,000 is provided for child support enforcement and AFDC entitlement payments. The community services block grant and refugee and entrant assistance are maintained at approximately current services levels, while low-income home energy assistance is reduced to the President's request level of \$1,187,000,000. Pending enactment of welfare reform legislation, the Work Incentive Program is maintained at last year's enacted level.

Human development services.—\$1,250,000,000 is provided for Head Start, an increase of \$43,676,000; \$757,700,000, an increase of \$32,278,000, is provided for Administration on Aging programs, including \$439,000,000 for nutrition services and \$280,000,000 for supportive services and centers. Developmental disabilities programs are increased by \$4,133,000 to \$97,000,000. \$20,000,000 is included for comprehensive child development centers, authorized by Public Law 100-297.

Compensatory education.—The Committee bill includes \$4,589,800,000 for compensatory education for the disadvantaged, an increase of \$261,873,000 above the fiscal year 1988 comparable level. Within this total, the bill provides \$175,000,000 for concentration grants to school districts with high concentrations of low-income children. The bill also provides \$4,000,000 to continue the technical assistance activities for school districts in rural areas and \$4,800,000 for program improvement grants to assist States in enhancing the effectiveness of local programs.

TITLE I—DEPARTMENT OF LABOR
EMPLOYMENT AND TRAINING ADMINISTRATION
PROGRAM ADMINISTRATION

1988 comparable appropriation	\$70,872,000
1989 appropriation request	72,289,000
House allowance	72,289,000
Committee recommendation	71,638,000

The Committee recommends an appropriation from the general fund of the Treasury of \$71,638,000 for program administration, which is \$651,000 below the amount of the administration request. The recommendation is \$766,000 more than the fiscal year 1988 comparable appropriation of \$70,872,000.

The Committee also recommends a trust fund limitation for fiscal year 1989 of \$50,406,000, \$3,799,000 more than the administration request and the House allowance, and \$6,026,000 more than the 1988 comparable limitation of \$44,380,000.

The recommendation includes 1,797 full-time equivalent [FTE] staff, 42 above the administration request and the House allowance, which is a net increase of 102 FTE over the comparable fiscal year 1988 level.

Of the total amount available, the general revenue portion of the appropriation request provides for the Federal staff costs of the Employment and Training Administration for the direction and operation of the employment and training programs authorized under the Job Training Partnership Act; the Older Americans Act of 1965, as amended; the Trade Act of 1974, as amended; and the National Apprenticeship Act of 1937. The Unemployment Trust Fund provides for Federal staff costs related to the Federal administration of employment security functions under title III of the Social Security Act of 1935, as amended and the Immigration and Nationality Act as amended by the Immigration Reform and Control Act.

The Committee has included \$3,000,000 in trust funds over the budget request for employment security activities. This increase is intended to strengthen the role of the United States Employment Service to make reforms and improvements needed to meet labor market needs of the year 2000 (4 FTE), as well as to more effectively implement immigration reform legislation (33 FTE for required IRCA duties and 3 FTE for national office immigration activities). It is also intended to accelerate implementation of administrative financing changes within the Unemployment Insurance Service to further simplify the process, resulting in greater long-range savings. In addition, the Committee expects in-

TITLE II—DEPARTMENT OF HEALTH AND HUMAN SERVICES

ACQUIRED IMMUNE DEFICIENCY SYNDROME [AIDS]

1988 comparable appropriation	\$926,269,000
1989 appropriation request	1,234,580,000
House allowance	1,234,580,000
Committee recommendation	1,244,580,000

The bill includes a total of \$1,244,580,000 for Public Health Service [PHS] program activities associated with AIDS. This is \$10,000,000 more than requested by the administration and provided by the House. Not included in this bill, but also within the PHS, is \$65,420,000 for the AIDS activities of the Food and Drug Administration [FDA]. Together with FDA, the PHS total for use on AIDS is \$1,310,000,000. This is an increase (including FDA funds) of \$358,961,000 over the 1988 amount, or an increase of almost 38 percent. The appropriations for AIDS have grown dramatically over the past several years as shown below:

Fiscal year:

1982	\$5,555,000
1983	28,736,000
1984	61,460,000
1985	108,618,000
1986	233,793,000
1987	502,455,000
1988	951,039,000
1989	1,310,000,000

In addition to the amount the Committee expects to be spent by the PHS agencies in fiscal year 1989 on AIDS, the Federal Government will spend another \$893,000,000 on AIDS treatment, testing, and research through Medicaid, Medicare, Social Security, the Department of Labor, the Department of Defense, the Veteran's Administration, the Department of State, and the Department of Justice. In summary, the Federal Government will spend well over \$2,200,000,000 on AIDS in fiscal year 1989 as shown in the following table:

Public Health Service.....	\$1,310,000,000
Medicaid (Federal share).....	600,000,000
Medicare.....	25,000,000
Social Security Administration.....	111,000,000
Veterans Administration.....	66,000,000
Department of Defense.....	52,000,000
Department of Justice/Bureau of Prisons.....	6,000,000
Department of State.....	2,000,000
Department of Labor.....	1,000,000
Agency for International Development.....	30,000,000
Total.....	<u>2,203,000,000</u>

The following table shows the amount included in the bill for each PHS agency and institute along with the 1988 amounts, the President's budget request, and the amount provided by the House:

havioral components of the transmission of AIDS. Each ADAMHA Institute has a significant AIDS agenda which will be advanced by the provided funding. The 1989 budget allowance will permit ADAMHA to continue and enhance efforts to meet the present needs for AIDS research, education, prevention, and treatment.

In response to the threat of AIDS transmission through intravenous drug use, the Committee has included \$40,000,000 to establish a new treatment demonstration grants program to expand treatment capacity for intravenous drug abusers. Funding will be available to States, cities, and entities for use in areas with high rates of intravenous drug abuse and insufficient intravenous drug abuse treatment capacity (as evidenced by waiting lists for admission into intravenous drug abuse treatment programs).

The Committee is impressed with the ongoing NIDA demonstration programs targeted to intravenous [IV] drug abusers not in treatment and their sexual partners. By the end of 1988, AIDS prevention demonstration programs will have been established in approximately 50 cities. These programs use a variety of behavioral change methods to reinforce AIDS educational messages and to assist individuals in altering their risk behaviors. The focus is on outreach, education, HIV testing and counseling, and community involvement.

The Committee has also provided an additional \$14,083,000 above the administration request and a total of \$180,000,000 for the ADAMHA substance abuse block grant for the emergency treatment and rehabilitation of substance abusers within each State. The substance abuse block grant, though not specifically targeted for AIDS, involves many persons either with AIDS or in a position to contract AIDS from others.

Office of the Assistant Secretary for Health

The Committee has included \$13,598,000 for AIDS activities at the Office of the Assistant Secretary for Health. This is \$9,290,000 more than was provided in fiscal year 1988 and \$15,000,000 less than requested by the administration for fiscal year 1989.

The Committee has provided \$3,098,000 for the activities of the National AIDS Program Office, \$7,000,000 for a variety of research projects conducted by the National Center for Health Services Research; and \$3,500,000 for education and prevention efforts targeted toward minority populations carried out by the Office of Minority Health.

The Committee has rejected the requested increase of \$15,000,000 for the contingency fund. The Committee feels that the 1989 AIDS request of \$1,300,000,000 is sufficient to respond to any new opportunities that may arise during 1989.

ALZHEIMER'S DISEASE

The bill includes a total of \$133,690,333 for all activities associated with Alzheimer's disease [AD]. This is an increase of \$43,068,333 over the 1988 amount and \$23,293,000 over the amount proposed in the

President's budget. The following table shows the amounts funded in this bill for each of the four agencies of the Department involved in the battle against AD, the National Institutes of Health [NIH]; the Alcohol, Drug Abuse, and Mental Health Administration [ADAMHA]; the Health Care Financing Administration [HCFA]; the Office of Human Development Services [OHDS]; as well as for the Office of the Secretary [OS].

	1987 ap- propriation	1988 ap- propriation	1989 President's budget	1989 allowance
NIH.....	\$65,306,000	\$79,927,000	\$85,362,000	\$107,818,000
ADAMHA	10,012,000	10,695,000	10,702,000	11,539,000
HCFA	395,338		14,333,333	14,333,333
OHDS.....	1,153,100			
OS.....	200,000			
Total.....	77,066,438	90,622,000	110,397,333	133,690,333

Magnitude of the problem and response to date

Although the exact number is not known, it is estimated that between 2.5 and 3 million Americans, including more than 8 percent of the U.S. elderly population, suffer from Alzheimer's disease. These estimates are based on numerous studies, many which only include data for institutionalized populations. Little is known about the prevalence of AD in the community, where some four-fifths of all older people with dementia may live.

For the past 15 to 20 years, scientists have been making steady, but slow progress in the battle against Alzheimer's disease. This past year, their efforts came together to produce several important advances in this field, generating excitement in the scientific and medical communities, as well as among the general public. In the space of a few months time, scientists announced the prospects for new inroads into understanding the genetics of the disease, and a potential treatment for some of its most serious symptoms.

In view of these recent achievements and the future impact of AD on the Nation's aging population, the Committee believes that the time is right to make a major investment in AD research. Therefore, the Committee has included resources to enable the Department of Health and Human Services to expand AD research funding by 48 percent over 1988. The following presents a description of the major activities to be conducted by the DHHS agencies involved in the AD effort.

National Institutes of Health

NIH funding for AD is provided primarily in the National Institute on Aging [NIA] and the National Institute of Neurological and Communicative Disorders and Stroke [NINCDS], as well as in five other appropriated accounts. The NIA supports basic, clinical, and epidemiologic studies of the etiology, diagnosis, and treatment of AD and other dementia of later life including: (1) the development of preclinical and diagnostic markers including biological, chemical, and behavioral markers of early stage AD; (2) the differential diagnosis of

dementia including the development and investigation of screening batteries, neuropsychological batteries, neuroimaging techniques, clinical and neuropathologic assessments; (3) the role of genetic familial factors in the etiology of AD, and the relationship of viral and bacterial infection and environmental toxins in the etiology of AD; (4) the treatment and management of the underlying disease process and of the symptoms, including clinical trials of drugs, behavioral, social, and environmental interventions; and (5) the impact of AD on families, support networks, and formal health care systems. NINCDS research is also focusing on advances in molecular genetics, as well neuroimaging technology to determine the etiology of AD.

The Committee believes that there are a number of additional AD research opportunities at NIH and has, therefore, included in the bill increases of \$20,356,000 for NIA and \$2,100,000 for the National Center for Nursing Research over the President's budget request. This will bring the total for NIH AD research to \$107,818,000. Further details on how these funds are to be used are included in the NIA section of the Committee report.

Alcohol, Drug Abuse, and Mental Health Administration

ADAMHA research has focused on identifying the nature and extent of structural change in the brains of Alzheimer's patients, developing a comprehensive approach to the neurochemical aspects of the disease, and developing drugs for managing behavioral problems of AD patients. ADAMHA has increased its focus on clinically relevant AD research in the areas of diagnosis, treatment, and services, including the search for diagnostic markers, studies of behavioral and somatic interventions to alleviate excess disability leading to improved patient coping and reduced family burden, studies on services in varied settings (home, community, nursing home), and research on the distinct clinical needs at different stages of Alzheimer's disease. For ADAMHA, the Committee has provided a minimum of \$11,539,000. Increases are targeted for research and clinical training.

Health Care Financing Administration

HCFA efforts will focus on health service demonstration projects aimed at identifying more effective and efficient methods of delivering health care to AD patients. The 1989 HCFA allowance for AD includes \$13,333,333 for health service demonstration projects and \$1,000,000 for related administrative costs. The \$13,333,333 will be used to initiate about five new demonstration projects which are expected to be funded for 3 years with a total cost of \$40,000,000. The initial awards are expected to be made in 1989. These projects will address a broad range of research questions aimed at improving health care quality and effectiveness for individuals with AD or related disorders. Specific health service research questions include cost, treatment modalities, case management, respite care service, et cetera.

At the present time, there is no way for HCFA to identify total Medicare and Medicaid cost of providing health care for AD patients

because there is no separate diagnostic related group [DRG] for AD. The Committee urges HCFA to develop a method to assess the total cost of health care delivery for AD patients that will enable policy makers to be better informed on the overall Federal spending on AD.

Office of Human Development Services and Office of the Secretary

OHDS's Administration on Aging has supported a number of research and demonstration projects designed to develop and strengthen family- and community-based care for AD victims. In addition, the Office of Policy Research in OS does policy research on long-term care issues of which a small portion can be attributed to AD. The Department has not been able to identify estimates for 1988 and 1989, and the Committee has not added specific funding increases for AD in these accounts. However, the Committee urges that in future budget justifications, the Department develop a method to include estimates for AD spending in these accounts in the budget years.

The following table displays AD funding provided by the Committee by the broad purpose for which the funds are used:

	Fiscal year 1988 appropriation	Fiscal year 1989	
		President's budget	Allowance
Research projects:			
Etiology	\$36,429,040	\$39,237,080	\$45,593,080
Diagnosis	15,857,000	16,725,460	19,725,460
Service delivery	8,448,800	9,206,050	11,706,050
Epidemiology	5,271,480	5,534,960	7,534,960
Research centers	14,921,000	15,928,750	21,428,750
New drug testing	2,198,240	2,346,680	3,346,680
Research training	3,871,680	4,186,010	6,286,010
Clinical training	2,023,000	1,186,000	2,023,000
Education and information	1,601,680	1,713,010	1,713,010
Health Service demonstration activities		14,333,333	14,333,333
Total	90,622,000	110,397,333	133,690,333

HEALTH RESOURCES AND SERVICES ADMINISTRATION

HEALTH RESOURCES AND SERVICES

1988 appropriation	\$1,549,934,000
1989 appropriation request	1,408,073,000
House allowance	769,554,000
Committee recommendation	1,642,685,000

The Committee recommends an appropriation of \$1,642,685,000 for health resources and services. This is \$234,612,000 more than the administration request. The recommendation is \$92,751,000 more than the fiscal year 1988 appropriation.

"Helping Build a Healthier Nation" is the new slogan of the Health Resources and Services Administration [HRSA]. The HRSA appropriation supports activities to provide health care services to mothers and infants, the underserved, the elderly, the homeless, migrant farm-workers, and a wide spectrum of other designated beneficiaries. This appropriation funds cooperative programs in community health, AIDS

visitor has the opportunity to explain and reinforce the providers instructions in a variety of areas such as nutrition, medications, substance abuse, early signs of labor, and the need for prenatal and other preventive care. The home visitor provides the pregnant woman with the opportunity to ask questions and receive culturally and age appropriate supportive advice. The home visitor acts as the case-manager and refers the pregnant woman for any and all available support services and assists her in actually obtaining needed care. The home visitor also assists in providing the new mother and family with preventive health care counseling and linkage to a medical home for the children.

The Committee directs the General Accounting Office [GAO] to conduct a study of home visitor projects which are currently operating, such as the resource mothers projects and home visitor programs in the United Kingdom. The study should provide an analysis of program interventions with pregnancy outcomes. In addition, the study should examine the most cost-effective method for implementing the program on a wider basis in the United States.

Black lung clinics

The Committee has included \$3,255,000 for black lung clinics. This amount is the same as the fiscal year 1988 appropriation and the administration's request.

This program, through project grants or contracts, assists public and private entities to establish and operate clinics which provide for the analysis, examination, and treatment of respiratory and pulmonary impairments in coal miners. The clinics reduce the incidence of high-cost inpatient treatment for these conditions. With the funds provided, the program will continue to provide access to health care services for 47,500 victims of black lung disease.

Health care for the homeless

The Committee has included \$15,000,000 to continue the program of grants to nonprofit organizations to provide outpatient health and mental health services to the homeless. This is the same as the administration request for this program, and \$639,000 above the fiscal year 1988 appropriation.

The Committee recommendation of \$15,000,000 would provide grants under section 1110 of the Social Security Act to public and nonprofit organizations to support routine, primary health care for the homeless. Preference would be given to applicants representing areas with sufficient concentrations of the homeless to ensure an acceptable level of cost efficiency in the deployment of health care resources.

Family planning

The Committee recommends \$140,000,000 for family planning services. This amount is \$337,000 more than the fiscal year 1988 appropriation. The Committee rejects the administration's proposal to block grant this program, and directs that it continue to be administered as a project grant program. The amount recommended includes sufficient funds to support an additional 60 full-time equivalents. The Committee

MATERNAL AND CHILD HEALTH AND RESOURCES DEVELOPMENT

Maternal and child health block grant

The Committee recommends \$561,000,000 for the Maternal and Child Health [MCH] Block Grant Program. This is the same as the administration request and \$34,430,000 more than the fiscal year 1988 appropriation. The Committee recommendation represents the fully authorized level of funding for this program.

The MCH block grant is a principal source of support to assist the States in their efforts to provide adequate health care for mothers and children who otherwise do not have access to such care.

The Committee directs that, of the amount recommended, \$476,850,000 be distributed to the States as block grants to support projects designed to improve the quality and availability of services for mothers and children, and \$84,150,000 be used for special projects of regional or national significance [SPRANS].

The Committee is very pleased with MCH's efforts to address the pressing health care needs of native Hawaiian families and children. Last year the Office of Technology Assessment [OTA] reported that the overall native Hawaiian death rate is 34 percent higher than that of the rest of the Nation with full-blooded Hawaiians having a death rate 146 percent higher than the Nation as a whole. Native Hawaiian children and youth were found to be particularly at risk. The Committee feels that the MCH supported Native Hawaiian maternal and child health centers being administered by the Kamehameha Schools/Bishop Estate are an excellent vehicle for addressing these pressing needs and urges MCH to continue its support.

The Committee has learned that Cooley's anemia patients who are facing opportunities for a longer life and an improved quality of life, because of improvements in therapy, are now attempting to organize a national patient self-support group to encourage members to utilize the most up to date, but admittedly difficult, therapies for iron overload, and to assist members in obtaining appropriate job finding and education skills. The Committee is most supportive of this development and strongly urges MCH to assist this effort in any appropriate manner possible.

The Committee is pleased with the highly successful results achieved through the Hemophilia Treatment Centers Program, which have played a significant role in reducing costly hospitalization of persons with hemophilia and assisting them in their desire to lead full and productive lives in their communities. While substantial gains have been realized, the Committee is concerned that due to limited resources available to the Centers, the program has been able to provide comprehensive services to only half of the hemophilia population, with the rest only having available fragmented services and lacking access to state-of-the-art treatment, as well as risk reduction and counselling support. This situation has been aggravated by the increasing impact of HIV/ AIDS on the hemophilia population. Consequently, the Committee has provided sufficient funds for HRSA to give consideration to strengthening and expanding the Hemophilia Treatment Centers Program.

tee has received testimony that the Public Health Service is the only organization with the required talent and expertise to assure success in these programs funded by organizations outside HHS. The Committee does not believe that the PHS should be penalized for assisting in the U.S. foreign policy of providing humanitarian aid to developing countries.

RETIREMENT PAY AND MEDICAL BENEFITS FOR COMMISSIONED OFFICERS

1988 comparable appropriation	\$89,859,000
1989 appropriation request	107,687,000
House allowance	102,687,000
Committee recommendation	102,687,000

The Committee concurs with the House in recommending an appropriation of \$102,687,000 for commissioned officer retirement pay and medical benefits. This is \$5,000,000 below the budget estimate and \$12,828,000 more than the fiscal year 1988 appropriation.

This is an indefinite appropriation account. This activity provides for mandatory payments to Public Health Service commissioned officers who have retired for age, disability, or specified period of service in accordance with provisions of law. Provision is also made for the cost of medical care provided in non-Public Health Service facilities to dependents of the Public Health Service Commissioned Corps. The Committee did not approve the budget request to transform this account from an indefinite to a definite appropriation, including a contingency reserve of \$5,000,000. There seems to be no compelling reason for doing this.

VACCINE INJURY COMPENSATION TRUST FUND

The Committee concurs with the House in providing bill language, requested in the budget, to enable the vaccine injury compensation trust fund to pay claims in 1989. In addition, the Committee concurs with the House in permitting payment of retroactive claims from the trust fund in 1989. However, the Committee has deleted bill language that provides reimbursement of administrative expenses from the trust fund. The Committee has provided funding for administrative expenses in the Centers for Disease Control appropriation.

HEALTH CARE FINANCING ADMINISTRATION

GRANTS TO STATES FOR MEDICAID

1988 comparable appropriation	\$30,656,932,000
1989 appropriation request	32,732,589,000
House allowance	32,732,589,000
Committee recommendation	34,236,000,000

The Committee recommends \$34,236,000,000 for grants to States for Medicaid. This amount is \$3,579,068,000 more than the fiscal year 1988 appropriation, and \$1,503,411,000 more than the administration's budget request and the House allowance. This amount includes \$8,000,000,000 appropriated in fiscal year 1988 as an advance for fiscal year 1989. This recommendation reflects the latest current law estimates.

The Medicaid Program, which is administered by each of the 50 States, the District of Columbia, Puerto Rico, and the territories, provides medical care for certain low-income individuals and families. Federal funds for medical assistance are made available to the States on the basis of a formula which determines the appropriate rate at which State program costs should be matched. The matching rate may range from 50 to 83 percent, depending on the State's average per capita income relative to the national per capita income.

Each Medicaid Program must provide a basic package of medical services including inpatient and outpatient hospital care, health screening services to children under 21, skilled nursing facility care for persons 21 years of age or older, and physician services.

AIDS drug coverage

The Committee is disappointed to learn that not all States are covering the cost of azidothymidine [AZT] under their Medicaid program. When Congress appropriated \$30,000,000 for the public health emergency fund in the fiscal year 1987 supplemental appropriations bill, it encouraged States to act quickly to provide Medicaid coverage for AZT and any other drugs which prove to prolong the life of a person with AIDS. The Committee understands, however, that there are still some States that do not provide coverage. Therefore, the Committee directs HCFA to do all that it can to encourage and assist States in including the cost of life prolonging AIDS drugs under their Medicaid programs.

Medicaid voluntary contributions rule

Currently, several States have exercised an option to include funds donated from private sources as a part of the State contribution to Medicaid expenditures. These funds are eligible, along with regularly appropriated State funds, to be matched by the Federal Medicaid contribution at the normal State matching rate. Typically, these contributions have come from local governments and from individuals. In some cases, hospitals have contributed to State indigent care pools with the funds used to expand Medicaid support for indigent patients.

It has come to the attention of the Committee that new regulations regarding this so-called voluntary contribution rule are now being drafted by the Department, and may soon be proposed for public comment. While the Committee recognizes that development of guidelines to prevent abuses of the current rule may be prudent, the Committee is concerned about the possible implications of new regulations which could have the effect of reversing positive steps taken by several States to expand Medicaid support for indigent care and for pregnant women and children.

The Committee, therefore, would like to ask the Department to report back to the Committee with a draft copy of these regulations prior to publication in the Federal Register. These regulations would, therefore, be subject to Committee review prior to public comment. Any substantive changes to these regulations made at the suggestion of the Committee are to be incorporated into the final regulations issued by the Department.

ADVANCE APPROPRIATION

The Committee has provided an advance appropriation of \$9,000,000,000 for the first quarter of fiscal year 1990. This recommendation reflects the latest available current law estimates.

PAYMENTS TO HEALTH CARE TRUST FUNDS

1988 comparable appropriation	\$25,893,000,000
1989 appropriation request	32,100,000,000
House allowance	31,227,000,000
Committee recommendation	31,227,000,000

The Committee has provided \$31,227,000,000 for payments to health care trust funds. This amount is \$873,000,000 less than the administration's request, the same as the House allowance, and \$5,334,000,000 more than the fiscal year 1988 appropriation.

The Committee recommendation is consistent with the latest current law estimates for the three mandatory activities which comprise these payments: supplementary medical insurance; hospital insurance for the uninsured; and the Federal uninsured payment.

The Committee has provided \$30,712,000,000, which is \$873,000,000 less than the administration request and the same as the House allowance, for the payment to the supplementary medical insurance trust fund. This payment provides matching funds for premiums paid by Medicare part B enrollees. The increase of \$5,294,000,000 over fiscal year 1988 reflects adjustments related to increases in the cost of services paid for by this trust fund, growth in the enrollee population, and increases to the contingency margin.

The Committee recommendation includes \$493,000,000 for hospital insurance for the uninsured, which is the same as the administration's request and the House allowance, and \$32,000,000 more than the fiscal year 1988 comparable appropriation. This payment reimburses the hospital insurance trust fund for Medicare benefits to individuals who have not met the insured status requirement.

The recommendation also includes \$22,000,000 for the Federal uninsured benefit payment, which is the same as the administration's request, the House allowance, and \$8,000,000 more than the comparable fiscal year 1988 appropriation. This payment reimburses the hospital insurance trust fund for the cost of benefits provided to Federal annuitants now eligible for Medicare.

PROGRAM MANAGEMENT

1988 comparable appropriation	\$98,211,000
1989 appropriation request	95,246,000
House allowance	93,817,000
Committee recommendation	94,417,000

The Committee recommends an appropriation of \$94,417,000 for Health Care Financing Administration [HCFA] program management. This amount is \$829,000 less than the administration's request, \$600,000 more than the House allowance, and \$3,794,000 less than the fiscal year 1988 appropriation.

The bill provides \$1,839,819,000 in trust funds. This amount is \$64,263,000 more than the administration request, \$69,900,000 more than the House allowance, and \$466,234,000 more than the fiscal year 1988 appropriation.

Research, demonstration, and evaluation

The Committee has provided \$32,000,000 for HCFA research, demonstration, and evaluation activities. This is the same as the administration request, \$2,000,000 more than the House allowance, and \$5,193,000 more than the fiscal year 1988 appropriation.

HCFA conducts studies and evaluations to measure the impact of the Medicare and Medicaid Programs on health care costs, and to produce information on alternative strategies for reimbursement, coverage, and program management. These studies are conducted with the goal of improving the administration of the Medicare and Medicaid Programs.

The recommended funding level will provide for the continuation of research, demonstration, and evaluation activities, as well as for the startup of new projects, including those mandated by Congress. Priority areas of research include quality of care measurements, physician payment methodology, and private health plan options.

Medicaid study

Some 35 to 37 million Americans are without health insurance, even with the inclusion of public programs like Medicaid and Medicare. In fiscal year 1985-86, 2½ million individuals, mostly women and children, filed applications for assistance and were denied AFDC and Medicaid benefits. Another 950,000 withdrew applications prior to eligibility determinations. The Committee has been made aware through a recently released study by the Southern Governors' Association that of the millions of indigent individuals who are denied AFDC and Medicaid benefits annually, 60 percent are denied not because of income or resource requirements, but due to failure to comply with procedural requirements. The reasons for the large percentage of applicants who fail to complete the application process is unknown. Congressional efforts to provide assistance to the uninsured and to improve infant mortality and low birth weight are being stymied by the AFDC/Medicaid eligibility process. Expansion of Medicaid eligibility to pregnant women and infants, even with presumption of eligibility, does not get these individuals into health care if they do not qualify for Medicaid.

The Committee urges funding of a study to determine the nature of the eligibility process. This study should also investigate the impact of error rate sanctions on the significant increase in the percentage of denials due to failure to comply with procedural requirements. Face to face interviews should be conducted, and income and resource information maintained in case files but not available to computer files should be collected, to determine the following: the reasons for the high rate of denials for failure to comply with procedural requirements; the reasons for withdrawals from the application process; and the range of excess income or excess resources.

Rural health research

The Committee notes that Public Law 100-203 mandated that the Health Care Financing Administration set aside not less than 10 percent of the funds expended on research and demonstrations for projects related substantially or exclusively to rural health. The Committee further notes that HCFA is required to issue an annual report detailing expenditures on these rural health research and demonstration projects. The Committee expects that 10 percent of the total funds provided to the Office of Research and Demonstrations shall be dedicated to rural projects, both research and demonstrations. The Committee requests the Administrator to submit a copy of the annual report detailing the 10-percent set-aside requirement.

Rural hospital transition grants

The Committee recommends \$15,000,000 for the Rural Health Care Transition Program, authorized by section 4005(e) of the Omnibus Budget Reconciliation Act of 1987, Public Law 100-203. This is \$12,000,000 more than the House allowance. There was no administration request for this program.

This program is designed to assist rural hospitals with fewer than 100 beds to modify their services in order to maintain access to health care for Medicare beneficiaries. Grants of up to \$50,000 for 2 years would be awarded to such hospitals to develop transition strategies enabling them to remain fiscally viable, while maintaining access to health care for local residents.

Medicare contractors

The Committee recommends \$1,551,000,000 for Medicare contractors. This amount is \$47,600,000 more than the administration request and the House allowance, and \$319,140,000 more than the fiscal year 1988 appropriation. The Committee has included \$100,000,000 of the administration request in a contingency fund. The amount provided also includes \$160,000,000 for implementation and administration of the Catastrophic Health Program.

The administration requested and the House supported \$112,400,000 for the management of the Catastrophic Insurance Program for fiscal year 1989. This estimate was based on projected enactment of an earlier version of the legislation. Subsequently, the conference report of H.R. 2470, which included several revisions to the earlier bill, passed the Senate June 8, 1988, requiring a reestimate of funding for administrative requirements. Therefore, the Committee is providing \$160,000,000 for implementation costs in fiscal year 1989. The Committee is providing additional funds for unanticipated requirements. These actions are taken to ensure that the program is administered efficiently and at the lowest cost possible.

The Medicare Program is primarily administered by the Medicare contractors who are responsible for reimbursing Medicare beneficiaries and providers in a timely and fiscally responsible manner. These contractors, usually insurance companies, provide information, guidance,

and technical support to both providers of services and beneficiaries on the administration of the Medicare Program.

The Committee continues to believe that, in the management of the contractor program, first priority should be given to the quality and timeliness of the claims processing functions.

The Committee has included bill language and a \$103,000,000 increase for payment safeguard activities. The Committee directs that the fiscal year 1989 funds be allocated and obligated to the contractors as soon as possible to pay claims promptly.

Medicare beneficiary education

The Catastrophic Health Care Coverage Act recently approved by Congress makes extensive changes in the Medicare program. As a result, beneficiaries will require assistance in understanding these programs and how the addition of new benefits will affect them. The catastrophic legislation recognizes the necessity to educate the 31 million Medicare beneficiaries about the new and expanded benefits and authorizes a 3-year demonstration project for the purpose of training volunteers to provide counseling to Medicare beneficiaries.

The Committee acknowledges the need for a comprehensive beneficiary education program. Therefore, the Committee recommends that within the catastrophic insurance administration funds, \$1,000,000 be used for the establishment of a demonstration project for the purpose of training volunteers to provide counseling and assistance to Medicare beneficiaries in each of the 50 States. Funds shall be used for (1) the training of volunteers, (2) reimbursement to volunteers for transportation, meals and other expenses incurred by them during training or in providing counseling services and (3) administration of the program. It is the Committee's intent that this demonstration project be administered by a private or public nonprofit organization and that the Secretary carefully consider utilizing existing volunteer training programs.

State certification

The Committee recommends \$66,235,000 for HCFA State certification activities in fiscal year 1989. This amount is \$4,000,000 more than the administration request and the House allowance, and \$8,313,000 more than the fiscal year 1988 appropriation. The additional funds provided by the Committee over the administration's request will allow States to procure approximately 1,500 laptop computers. These computers are to be used by State surveyors when entering data with regard to a facility's ability to meet Federal conditions of participation.

Funds transferred from the Medicare trust fund for this activity are used to insure that hospitals and institutions providing care to Medicare beneficiaries maintain acceptable levels of health and safety. The amount provided will allow for the survey of approximately 69 percent of all facilities requesting Medicare eligibility, including 100 percent coverage of all skilled nursing care facilities and hospices.

The Committee has provided a \$4,224,000 direct appropriation for State certification program support. This amount is \$600,000 more than

the administration's budget request and the House allowance, and \$3,713,000 less than the fiscal year 1988 appropriation. Of this amount \$3,624,000 is to be used for surveying and providing other Federal oversight of approximately 617 psychiatric hospitals for Medicare and Medicaid certification, as requested by the administration. Surveys funded under this appropriation determine compliance with two statutory requirements relating to medical records and staffing. These standards are designed to help measure whether certified psychiatric hospitals are providing active treatment. The Committee is also providing \$600,000 to provide contract support to develop and implement surveyor training enhancements as mandated by the Omnibus Budget Reconciliation Act of 1987. This includes the development and validation of a surveyor training and test program in the conduct of standard and extended surveys together with the development of a program for nurse aide training and competency evaluation.

Clinical laboratory quality

The Committee is concerned about the failure of HCFA to adequately regulate the quality of clinical laboratory testing in the Medicare and CLIA programs. The tragedy of this poor enforcement is that thousands of Americans are receiving inaccurate test results, causing increased health costs, inadequate treatment due to misdiagnosis, and tragically, in some instances, even death.

As a result, the Committee directs the Department to report to Congress every 90 days on their progress in the implementation of a system to assure the quality of clinical laboratory testing. The first such report shall be due on November 1, 1988. This report should include, but not be limited to: the specific deadlines for publication of proposed and final revised standards for clinical laboratories; office laboratories; indication of the vigorous enforcement of existing and future standards for clinical laboratories; ensuring adequate consumer protection; and monitoring of State and private sector programs to assure compliance with Federal standards of assuring quality.

Federal administration

The Committee recommends \$80,193,000 in Federal funds and \$185,584,000 in trust funds for a total of \$265,777,000 for Federal administration. The recommendation is \$3,766,000 less than the administration request, \$4,300,000 more than the House allowance, and \$13,507,000 more than the fiscal year 1988 appropriation of \$252,270,000.

Administrative law judge hearings

In 1987, consideration of the Health Care Financing Administration's [HCFA] request for funds to implement an administrative law judge [ALJ] process was deferred pending the submission of a General Accounting Office [GAO] report to Congress. GAO submitted its report in April 1988. The Committee agrees with GAO's recommendation for a pilot and evaluation of HCFA's proposed process before final implementation of the process is approved.

The administration requested \$8,065,000 and 154 FTE's for the implementation of an administrative appeals process. The Committee has provided \$4,300,000 and 50 FTE's to HCFA to establish a pilot project to conduct part B hearings and appeals on denied Medicare claims. The Committee has included bill language to permit the Administrator of HCFA to hire persons who meet the qualifications for appointment of ALJ's under 5 U.S.C. 3105 at the GS-14 grade level but that such appointments shall terminate not later than March 31, 1990. If HCFA establishes a permanent ALJ unit for denied part B claims, it is expected that those persons given temporary ALJ appointments shall have their appointments converted to a permanent status.

HCFA is charged with the responsibility of protecting the due process rights of all claimants. Furthermore, the Committee understands that HCFA will be offering telephone hearings on a strictly optional and voluntary basis.

The Committee expects HCFA to provide ALJ hearings for no more than 25 percent of the total Medicare benefit hearing requests filed on or after October 1, 1988. The Committee further expects HCFA to obtain an independent evaluation of the pilot in line with GAO's recommendation in this area. HCFA's Administrator is directed to submit an interim report to the Committee by May 1, 1989, and to submit a final report to the Committee by September 1, 1989.

The Committee has included bill language to permit the hiring of administrative law judges [ALJ's] on a temporary basis for the pilot as ALJs normally have life tenure pursuant to the Administrative Procedure Act.

There is precedent both for the temporary hiring of ALJ's and their hiring at a GS-14 level. The supplemental appropriations bill passed in December 1971 provided for the temporary hiring of hearing officers for the Black Lung Program. (The hearing officer position has since been renamed administrative law judge.) Unlike the current language, that bill also permitted the hiring of persons who did not meet the qualifications for appointment under 5 U.S.C. 3105.

Secretary shortage

The Committee directs the Administrator to increase by 40 the number of secretaries to be hired by the Health Care Financing Administration [HCFA] at its Woodlawn facility in Baltimore County, MD. The current secretary shortage is adversely affecting the efficient functioning of the agency and needs to be dealt with immediately.

The Committee believes that HCFA has failed to respond properly to last year's report language on this matter. Because of HCFA's failure to move expeditiously on this matter, the Committee directs HCFA to report to the Committee every 90 days on the progress it is making toward the 50-secretary level at Woodlawn. The first report shall be due on November 1, 1988.

Provider reimbursement review board

The Committee is aware of a staffing shortage of up to 16 percent for HCFA's provider reimbursement review board. The Committee is concerned that since HCFA is a standing party in all cases before the Board, there is the potential for at least an appearance of a conflict of interest due to HCFA's unwillingness to provide the Board with adequate staff. As a result, the Committee directs the GAO to conduct a study of this problem and report to the Committee on its findings by January 15, 1989.

SOCIAL SECURITY ADMINISTRATION

PAYMENT TO SOCIAL SECURITY TRUST FUNDS

1988 comparable appropriation	\$105,298,000
1989 appropriation request	93,631,000
House allowance	93,631,000
Committee recommendation	93,631,000

The Committee recommends an appropriation of \$93,631,000 for payments to Social Security trust funds, the same as the administration request and the House allowance. The recommendation is \$11,667,000 less than the fiscal year 1988 appropriation of \$105,298,000.

These funds reimburse the old-age and survivors insurance and disability insurance trust funds for special payments to certain uninsured persons, pension reform, and unnegotiated checks. This appropriation restores the trust funds to the same financial position they would have been in had they not borne these costs, properly charged to the general funds.

The Committee did not consider the \$85,275,000 advance appropriation request for fiscal year 1990 as requested in the President's budget. The House likewise recommended funds for fiscal year 1989 only.

SPECIAL BENEFITS FOR DISABLED COAL MINERS

1988 comparable appropriation	\$663,452,000
1989 appropriation request	628,581,000
House allowance	628,581,000
Committee recommendation	628,581,000

The Committee recommends an appropriation of \$628,581,000 for special benefits for disabled coal miners, which is in addition to the \$250,000,000 appropriated last year as an advance for the first quarter of fiscal year 1989. The recommendation is \$34,871,000 less than the comparable fiscal year 1988 amount of \$663,452,000 and the same as the House allowance.

These funds are used to provide monthly benefits to coal miners disabled by black lung disease and to their widows and certain other dependents, as well as to pay related administrative costs.

The 1989 decrease of \$34,871,000 reflects the continuing decline in the number of beneficiaries receiving payments, since Social Security's major responsibility is for claims filed before June 1973, and the Department of Labor has responsibility for claims filed after that date. The

effect of the decline in beneficiaries is partially offset by a 2-percent benefit increase projected for 1989. Black lung benefit levels are tied directly to Federal pay increases.

The administration also requested, but the Committee did not consider, a full-year appropriation for fiscal year 1990 and an advance appropriation for the first quarter of fiscal year 1991. The Committee recommends an advance of \$211,000,000 for the first quarter of fiscal year 1990, the same as the House allowance.

SUPPLEMENTAL SECURITY INCOME

1988 comparable appropriation	\$9,806,340,000
1989 appropriation request	9,473,953,000
House allowance	9,473,953,000
Committee recommendation	9,473,953,000

The Committee recommends an appropriation of \$9,473,953,000 for supplemental security income [SSI], which is in addition to the \$3,000,000,000 appropriated last year as an advance for the first quarter of fiscal year 1989. The recommendation is \$332,387,000 less than the comparable fiscal year 1988 amount of \$9,806,340,000 and the same as the administration request and the House allowance.

These funds are used to pay benefits under the SSI Program, which was established to ensure a Federal minimum monthly benefit for aged, blind, and disabled individuals, enabling them to meet basic needs. In many cases, SSI benefits supplement income from other sources, including Social Security benefits. The funds are also used to pay costs of administering the program, to reimburse State vocational rehabilitation services for successful rehabilitation of SSI recipients, and to support the referral and monitoring of certain disabled SSI recipients who are drug addicts or alcoholics.

The Committee notes that the Congressional Budget Office has a higher current law estimate for this entitlement program, but bill language provides automatic drawdown authority should additional amounts become necessary.

The administration also requested, but the Committee did not consider, a full-year appropriation for fiscal year 1990 and an advance appropriation for the first quarter of fiscal year 1991. The Committee recommends an advance of \$2,936,000,000 for the first quarter of fiscal year 1990, the same as the House allowance.

LIMITATION ON ADMINISTRATIVE EXPENSES

1988 comparable appropriation	\$3,524,114,000
1989 appropriation request	3,775,661,000
House allowance	3,705,000,000
Committee recommendation	3,820,000,000

The Committee recommends a limitation on administrative expenses of \$3,820,000,000, an increase of \$44,339,000 over the administration request and \$115,000,000 over the House allowance. This recommendation is \$295,886,000 more than the fiscal year 1988 appropriation of \$3,524,114,000.

This account provides resources from the Social Security trust funds for the Social Security Administration to administer the Social Security retirement and survivors and disability insurance programs, certain Social Security health insurance functions, and the construction needs of the trust fund programs. As authorized by law, it also provides resources from the trust funds for certain nontrust fund administrative costs, which are reimbursed from the general funds. These include administration of the supplemental security income program for the aged, blind, and disabled; work associated with the Pension Reform Act of 1974; and the portion of annual wage reporting work done by the Social Security Administration for the benefit of the Internal Revenue Service. The dollars provided also support automated data processing activities.

The fiscal year 1989 recommendation includes \$97,870,000 for the contingency reserve, the same as the House allowance, and \$50,000,000 more than the budget request and fiscal 1988 level. The recommendation also includes an increase for additional staff resources over the requested level, as well as a reduction from data processing and telecommunications, specified later. The Committee did not consider the \$3,765,870,000 advance appropriation request for fiscal year 1990 as requested in the President's budget. The House likewise recommended funds for fiscal year 1989 only.

The Committee received a report from the General Accounting Office in May 1988 which noted that by the end of fiscal year 1988, the Social Security Administration expects to have reduced its staff by 11,600, or about 68 percent of the planned 6-year reduction of 17,000 through 1990. In addition to the General Accounting Office report, the Health and Human Services Office of the Inspector General reported that its survey of Social Security Administration clients in early 1988 showed that they continued to be satisfied with the service they received. However, while the inspector general did not identify extensive service deterioration, Social Security Administration's supervisors and employees continued to express concern about the effect of current and future staff reductions. Moreover, the General Accounting Office study showed that the process accuracy error rate for the Social Security retirement and survivors insurance program increased from 23 percent in fiscal 1985 to 31.5 percent in fiscal year 1987; this was the period when most of the staffing cuts occurred.

The General Accounting Office is continuing to monitor the Social Security Administration's service and will report soon to the Committee the results of its mid-1988 test of accessibility to the Social Security Administration by telephone. The General Accounting Office is also obtaining the views of the Social Security Administration's employees and managers on the quality of service as of mid-1988 and will report the results to the Committee.

The Committee remains deeply concerned about the potential impact of continuing staff reductions on the Social Security Administration's service to the public. The Committee requests the General Accounting

Office to continue monitoring the situation and to provide a report by May 15, 1989.

The Committee has restored 1,500 full-time equivalent [FTE] positions proposed to be eliminated by the President's budget, and included bill language establishing a statutory floor of 66,545 FTE in fiscal year 1989. The limitation has been increased \$90,000,000 over the budget request to restore these positions, offset by the \$50,000,000 increase in the contingency fund. The Committee expects these resources to be sufficient to forestall further downsizing in fiscal 1989.

The Committee also requests that the Social Security Administration report to the Committee by March 1, 1989, and September 1, 1989, on its service performance data. The March 1 report should include data for the quarters ending September 30, 1988, and December 31, 1988, and compare performance to prior quarters and to the same quarter in the two prior fiscal years. The September 1 report should contain data and a similar comparison for the quarters ending March 31, 1989, and June 30, 1989. Where significant changes have occurred, explanation of the reasons for the change should be provided. Data on process accuracy should disclose the incidence of all cases in error, identifying both those resulting in erroneous payments and those which did not. The report should also disclose how the Social Security Administration plans to monitor accuracy in field offices, if it proceeds to reduce the size of its quality assurance sample as it has indicated it would.

The Committee would also like to receive with the service performance data, information on the Social Security Administration's staffing. Such information should include the number of staff on duty at the end of the most recent quarter for major Social Security Administration components; field and hearings offices (by region; field offices by position); and each program service center. Current fiscal year workyear usage through the most recent quarter should be reported categorized by full-time equivalents, overtime, and non-ceiling personnel. Formats for presenting the data in the reports should be decided after consultation with the General Accounting Office.

Because national performance data compiled quarterly present service level averages and combined totals, service declines in some offices could be hidden by increases in others portraying overall stability. Monitoring service in those offices which experience staff reductions is, therefore, essential. To ensure such monitoring is occurring and to assist the Committee in its oversight, the Committee requests that the Social Security Administration identify and report by December 31, 1988, those field offices where FTE staffing has declined by 20 percent or more as of September 30, 1988, when compared to staffing at September 30, 1987. For offices where such staffing declines occurred, the Social Security Administration should provide comparative workload pending data for claims, redeterminations, and overpayments for September 30, 1988, and September 30, 1987. Where pending workloads as of September 30, 1988, have increased in offices which experienced reductions, reasons for the increase and plans for any further staffing changes should be provided.

In August 1987, the Social Security Administration solicited the views of its supervisors on current issues facing the agency. At hearings before the Committee, it was disclosed that many of the supervisors expressed serious concerns about the effects of the staff reductions on employee morale and service. Also, many allegations were made that processing time and workload statistics can be and are influenced by practices that improve the results but not service. The Commissioner told the Committee that she planned to address these concerns after meeting with supervisors throughout the country. The Committee requests the Commissioner to periodically advise the Committee on what actions are taken and planned to address the concerns and correct the problems identified.

One specific area of concern which the Social Security Administration has continued to ignore is its flawed sample of how long clients wait in field offices before being served. The General Accounting Office has pointed out that the current sampling approach and technique does not include all time clients spent waiting and the Social Security Administration's supervisors and employees frequently follow different practices during the sample period to improve wait time statistics. The Committee expects the Social Security Administration to develop an alternative strategy for collecting accurate wait time data in individual offices and to report the results to the Committee.

A General Accounting Office report in September 1987 disclosed a significant backlog of employer wage reports which had to be reconciled with the Internal Revenue Service's records to ensure individuals receive proper credit for their earnings. The General Accounting Office estimated that the records of 9 million people could be involved. Failure to assign staff to reconcile these cases in the past has contributed to the backlog. The Committee expects the Commissioner to monitor progress in resolving earnings discrepancies, ensure sufficient staff are assigned to the task, and to periodically advise the Committee of the status and progress made.

Computer Systems

In 1982 the Social Security Administration reported that its computer systems were close to collapse, difficult to maintain and deficient in both hardware and software. At that time, the administration proposed a 5-year systems modernization plan to improve its data processing operations. This plan called for upgrading obsolete computer hardware, redesigning undocumented and error-prone software, and improving upon inefficient data management techniques. Since that time GAO has issued reports on implementation progress and problems. For example, GAO has reported that the Social Security Administration had not completed standards for software development and that software improvement had not taken place as scheduled because of planning and management problems; proceeded with large-scale hardware procurements without proper testing and justification; and the major software redesign effort, the claims modernization project, has encountered significant delays.

In April 1987 the General Accounting Office found that while the Social Security Administration has made progress and realized operational improvements by acquiring new and larger capacity computer equipment it has not met the objectives of modernizing its software and implementing an integrated data base architecture. Further, GAO reported that limited progress in these areas had occurred because the Social Security Administration did not: (1) follow the 1982 modernization plan's technical strategy, (2) relate to an agencywide, long-range plan, and (3) adequately integrate and manage the effort. Among other things GAO recommended that the Social Security Administration, while completing its long-range operational plan, redirect its modernization effort by defining and prioritizing system deficiencies, and reducing the scope of future modernization efforts to address the most critical system deficiencies. Because of these reported problems this Committee placed a moratorium on future modernization expenditures until the reassessment was complete, and a new comprehensive detailed plan for computer modernization and automatic data processing [ADP] expenditures was prepared and reviewed by GAO.

In response to the GAO reports and the Committee's action, the Commissioner formally acknowledged to the Congress, in June 1987, that the modernization effort needed to be redirected, that the agency was revising its modernization plan to be in conformance with the agency's long-range goals, and that a baseline analysis was being performed to identify and prioritize its systems deficiencies. In January 1988 the agency issued a long-range strategic plan. This long-range document does not, however, provide a detailed and comprehensive description of immediate, short-term and long-term plans for computer modernization and ADP expenditures. The Committee understands that a revised computer modernization plan to support both the long-range and tactical plans of the agency may be completed about January 1989. This plan is, of course, no help, in evaluating the needs for new computer spending authority in the fiscal year 1989 appropriations bill. In order to help the Committee evaluate such needs for fiscal year 1990 and subsequent years, the Committee requests the Social Security Administration to provide a report by November 15, 1988, that contains a comprehensive, detailed plan of SSA's immediate, short-term and long-term plans for computer modernization and ADP expenditures.

The Commissioner has also stated that the agency has experienced difficulty in the financial management of the modernization effort and intends to institute improvements in this area and eliminate the large recurring balances in unobligated balances by the beginning of fiscal year 1989. The Committee commends the Commissioner for her efforts in this area. In order to avoid any confusion, the Committee wishes to make clear that the goal of eliminating carryover should not be achieved just for its own sake. In particular, if projects originally requested for a particular fiscal year cannot be funded on schedule, the agency should not substitute other lower-priority projects not originally requested for that fiscal year.

In view of the Committee's emphasis on funding originally requested high priority projects, the historical trend of significant availability of carryover funds and the lack of a comprehensive, detailed new computer modernization plan against which to judge fiscal 1989 computer needs, the Committee has recommended a reduction of \$45,661,000 from the budget request for data processing and telecommunications.

The Committee understands the Social Security Administration has awarded a contract to install a nationwide toll free 800 telephone number so that all calls from the public will be directed to telephone answering centers. The Committee is concerned that the Commissioner's planned implementation of the nationwide 800 phone number beginning October 1, 1988, may have been initiated without appropriate consideration of cost-effective alternatives and without fully considering the potential impact on staffing and service. Prior to any implementation of the 800 number, the Commissioner should report on the costs and benefits of both the 800 number approach chosen and that of other alternatives to the national 800 number which were considered but rejected, including assurances that no office closings of any type would result.

The Committee expects that there will be no unusual number of office closings during fiscal year 1989, but nevertheless is concerned that the cumulative effect of unchecked staffing reductions proposed by the administration may eventually lead to unwise consolidations and closures.

The Committee is aware of the acute need for the development of a facilities' consolidation plan for the Social Security Administration and the Health Care Financing Administration at their Woodlawn, MD, campus. While the Committee strongly supports retaining both agencies in the Woodlawn area, it is concerned that the current 14-building arrangement is both inefficient for agency management purposes and does not offer the kind of quality workspace necessary for these two agencies to function properly. As a result, the Committee directs the Social Security Administration, Health Care Financing Administration, and the General Services Administration to develop a plan for the consolidation and construction of new agency facilities in the Woodlawn, MD, area, to be submitted to the Committee by March 15, 1989.

The Committee is aware of widespread support by Social Security Administration employees for an onsite day care facility at its Woodlawn, MD, headquarters, despite the resistance of the Social Security Administration's leadership to such an idea. The Committee does not believe that the creation of such a facility would be unfair to other Social Security Administration facilities across the country since nearly 20 percent of the agency's employees work at Woodlawn. As a result, the Committee directs the Social Security Administration to conduct a comprehensive feasibility study for an onsite day care facility at Woodlawn. The report shall be due by February 1, 1989.

Victims of chronic fatigue syndrome often experience symptoms of sufficient severity to legally qualify them for Social Security disability.

However, Social Security Administration guidelines are not sufficiently defined and this situation is producing uneven application of what should be a consistent national policy. The Social Security Administration should consider revising its guidelines for chronic fatigue syndrome in consultation with both the National Institutes of Health and the Centers for Disease Control.

FAMILY SUPPORT ADMINISTRATION

FAMILY SUPPORT PAYMENTS TO STATES

1988 comparable appropriation	\$8,644,385,000
1989 appropriation request	8,223,137,000
House allowance	7,855,137,000
Committee recommendation	8,204,337,000

The Committee recommends an appropriation of \$8,204,337,000 for family support payments to States, which is in addition to the \$2,500,000,000 appropriated last year as an advance for the first quarter of fiscal year 1989. This is \$18,800,000 less than the administration request and \$349,200,000 more than the House allowance. The recommendation is \$440,048,000 less than the fiscal year 1988 comparable appropriation of \$8,644,385,000.

These funds provide grants to States for the Federal share of activities related to public assistance to the needy as well as for child support enforcement activities. The largest single program is aid to families with dependent children [AFDC] which provides benefits to needy children deprived of parental support by death, disability, or continued absence from the home. Other benefit programs include AFDC benefits for families in which the principal wage earner is unemployed, emergency assistance, assistance to destitute or ill Americans who are being repatriated, and adult assistance in Puerto Rico and the territories. The Child Support Enforcement Program is aimed at assuring that absent parents meet their responsibility to provide support for their children. The grants also include funds to pay the Federal share of the costs State and local governments incur in administering these benefit programs.

The Committee recommendation concurs with the President's estimates for the entitlement programs, except for assumed quality control disallowances and proposed welfare reform initiatives. This includes \$8,967,769,000 for aid to families with dependent children, \$13,368,000 for payments to territories, \$124,000,000 for emergency assistance and repatriation, and \$1,186,200,000 for State and local welfare administration. For child support enforcement, \$900,000,000 is included for State and local administration, and \$270,000,000 is provided for Federal incentive payments; these costs are offset by the Federal share of collections, estimated at \$757,000,000.

The Committee has also included \$2,700,000,000 as a first-quarter advance for fiscal 1990, compared to the \$2,664,000 House allowance.

The Committee notes that both the House and Senate have passed different versions of welfare reform legislation, which, if enacted, would

substantially increase costs related to this entitlement program. Although no funds have been specifically included in this account to cover anticipated enactment of such legislation, which cannot be precisely estimated until completion of conference, the Committee expects the Department to use the automatic drawdown authority provided in bill language to begin implementation of welfare reform legislation promptly after it becomes public law.

The Committee urges the Secretary to work with States which have authorized by State statute State expenditures for demonstration projects to provide services to families at risk of long-term AFDC dependency, and to consider Federal matching reimbursement under the AFDC program services match.

LOW-INCOME HOME ENERGY ASSISTANCE PROGRAM

1988 comparable appropriation	\$1,531,840,000
1989 appropriation request	1,187,000,000
House allowance	1,567,000,000
Committee recommendation	1,187,000,000

The Committee recommends an appropriation of \$1,187,000,000 for the Low-Income Home Energy Assistance Program [LIHEAP]. This is the same as the administration request, \$344,840,000 less than the fiscal year 1988 appropriation, and \$380,000,000 less than the House allowance.

This program provides grants to States to help low-income individuals pay the high cost of energy, particularly heating costs in winter. There is a wide variation among the States in the ways assistance is provided, including direct payments to individuals and vendors and direct provision of fuel.

The Committee notes that even though substantial amounts of unspent oil overcharge funds are available to the States to offset the impact of Federal cutbacks, the General Accounting Office indicates the States have not, on the average, been using a large percentage for LIHEAP. Due to the extremely tight Federal allocation ceiling, the States may need to consider designating more funds for LIHEAP from other sources than they have in the past, as well as to further reduce the amount of Federal funds transferred to other block grants. The administration has testified that the States have \$1,300,000,000 in remaining unspent overcharge distributions, and more than half the States continue to annually transfer appropriations from LIHEAP to other block grants. An estimated additional \$246,000,000 may be distributed to the States in fiscal 1989 from Department of Energy oil overcharge funds.

REFUGEE AND ENTRANT ASSISTANCE

1988 comparable appropriation	\$346,933,000
1989 appropriation request	278,883,000
House allowance	Defer
Committee recommendation	400,000,000

The Committee recommends \$400,000,000 for refugee and entrant assistance, compared to \$346,933,000 provided in fiscal year 1988, an in-

crease of \$53,067,000. This is \$121,117,000 more than the budget request. The House deferred action, pending enactment of renewed authorizing legislation.

The refugee assistance program is designed to assimilate refugees into American society as quickly and effectively as possible while minimizing the burden to States and localities. The program reimburses States for the costs of providing direct cash and medical assistance to needy refugees as well as social services such as English language training and vocational training.

The Committee allowance is sufficient to provide 31 months of cash and medical assistance, instead of 24 months as proposed in the President's budget request. It also recognizes that the State Department refugee ceiling of 68,500 is 17,500 higher than the level financed by the budget request, and anticipates the impact of additional arrivals from Eastern Europe late in fiscal 1988.

The \$283,000,000 recommended for cash and medical assistance includes an estimated \$42,000,000 for State administration, consolidating these funds in one line-item, as was the practice in previous years. The remaining amounts, \$67,000,000 for social services, \$8,000,000 for voluntary agencies, \$6,000,000 for preventive health, and \$36,000,000 for targeted assistance, restore funding essentially to current services levels.

Within the amount for targeted assistance, the Committee expects that special assistance to Dade County schools and Jackson Memorial Hospital be maintained at no less than the fiscal 1988 operating level of approximately \$10,500,000. It is the intent of the Committee that targeted assistance funds should be awarded to assure that current level of services—based on monthly expenditure rates—is continued in all communities through calendar year 1989 only.

The Committee is sensitive to the fact that the renegotiation of the Mariel Agreement between the United States and the Government of Cuba has resulted in the gradual release of 3,000 Cuban political prisoners. The Committee acknowledges that most, if not all, of these prisoners and their families, are seeking entry into the United States as refugees. These refugees should be given full support under the Refugee Assistance Act and the funds provided by this Committee to assist them in their transition to independent living in the United States with assistance such as health and social services, education, and job placement. The Committee urges the Office of Refugee Resettlement in consultation with the State Department to assist those communities and voluntary agencies in those regions most significantly impacted by the entry of the Cuban political prisoners and their families, in order to provide a humane and effective transition into the United States.

WORK INCENTIVES

1988 comparable appropriation	\$92,551,000
1989 appropriation request	
House allowance	Defer
Committee recommendation	92,551,000

For the Work Incentive Program, the Committee recommends \$92,551,000. This amount will provide a full year transitional appropriation in anticipation of enactment of welfare reform legislation. The House deferred action, pending enactment of revised authorizing legislation and the administration proposed termination of the program. Federal administrative expenses are included as part of the "Program administration" account.

The Work Incentive Program provides job training and support services, including child care, designed to help welfare recipients obtain permanent employment and become economically self-sufficient.

COMMUNITY SERVICES BLOCK GRANT

1988 comparable appropriation	\$382,290,000
1989 appropriation request	310,000,000
House allowance	354,398,000
Committee recommendation	385,864,000

The Committee recommends an appropriation of \$385,864,000 for the community services block grant compared to the House allowance of \$354,398,000. This is \$75,864,000 more than the administration request and \$3,574,000 more than the fiscal year 1988 appropriation of \$382,290,000.

The community services block grant authorizes formula grants to States for activities of local community action agencies and other eligible entities to provide a variety of services that assist in assisting individuals out of poverty and toward becoming economically self-sufficient. In addition, the Committee also recognizes that the number of community action agencies, the total counties served, as well as the number of individuals receiving assistance from community action agencies, have all increased in the past 4 years. To carry out these activities, State grants of \$344,664,000 are recommended compared to the \$315,000,000 House allowance.

Several discretionary programs are also administered through the Office of Community Services, for which the following funding levels are recommended in bill language: community economic development, \$21,000,000; national youth sports, \$6,500,000; rural housing and community facilities, \$4,200,000; and assistance for migrants and seasonal farmworkers, \$3,000,000.

Community economic development [CED] funds are used by community-based private, nonprofit corporations to stimulate job creation and business opportunities in poor communities. The CED program uses community organizations to carry out effective local economic development efforts.

Due to increased demand for economic development funding as reflected in the number of grant applications, the Committee recommends an increase over 1988 funding of \$2,091,000. In light of the success of this program, the continuing need in both urban and rural communities for community economic development projects and the continuing high demand for such funds, the Committee is recommending an increase for this program.

The rural housing and community facilities program has two components. One is to make grants to public and private nonprofit organizations in rural America. The other component is assistance to poor rural communities on their water and sewer needs. This program is primarily carried out through six regional organizations called rural community assistance programs [RCAPS]. This is the only program of its kind in the Federal Government. Such assistance is in more demand than ever. The Safe Drinking Water Act requires communities to meet certain standards for drinking water.

For community food and nutrition activities, \$2,500,000 is recommended, the same as the House allowance. This program provides funding to community-based local and statewide nonprofit agencies to help relieve hunger and poverty through assisting low-income communities to identify potential sponsors of child nutrition programs and to initiate new programs in underserved or unserved areas. Grantees also coordinate food assistance resources and help develop approaches to meet the nutritional needs of low-income people.

The Community Food and Nutrition Program [CFNP] is a separately authorized program within the Community Services Block Grant Act [CSBG]. Sixty percent of CFNP-appropriated funds are required to be distributed to eligible agencies for statewide programs whose purpose is to alleviate hunger through implementing programs and activities authorized by the act. CSBG provides the mechanism for distribution of 60-percent funds, but CFNP funds are not intended as additional CSBG dollars to be equally divided up among current CSBG grantees within a State nor a substitution for previously granted CSBG funds to a statewide program.

The Department of Health and Human Services is again directed to inform States that potential statewide grantees must: Demonstrate that proposed activities are statewide in scope; conduct activities which represent a comprehensive and coordinated effort to alleviate hunger within their State; involve a broad range of organizations within the State also committed to alleviating hunger; and preferably have a demonstrated track record successfully implementing programs designed to alleviate hunger.

The Department of Health and Human Services is expected to offer such training and technical assistance as is needed by CFNP grantees across the country. The Committee further expects the Department to file an annual report on who received CFNP funds (both 60-percent and 40-percent funds), what activities these groups engaged in, and what these groups accomplished in light of the allowable activities. CFNP program funds should not be used in compiling the annual report.

The Committee understands that the Department of Health and Human Services did not accept new applications in fiscal 1988 for the Community Food and Nutrition Program's discretionary grants. Instead, the Office of Community Services reevaluated the applications that were submitted, but not funded, in fiscal 1987 and will make awards in

fiscal 1988 based on those applications. The Committee notes that this was a departure from the annual competition of grants programs held in previous years and notes further that it was not apprised by the Department of this change in procedure. The Committee expects that in fiscal 1989 the Department will make awards in the usual fashion.

For community partnership activities, the Committee recommends \$4,000,000, compared to \$3,000,000 House allowance. This program, for which \$2,900,000 was appropriated in 1988, funds new and innovative programs to alleviate poverty. Funds must be matched on a 50-50 basis by block grant recipients with individual grant not to exceed \$250,000. The Committee views favorably the preliminary results from the first round of funding completed in 1987.

The Department of Health and Human Services is directed to ensure that grant awards of community partnership activities be made through a competitive award process.

The Committee again urges the authorizing committees to consider modifying the formula to address this inequity, while holding harmless the other States and activities of the community services block grant.

PROGRAM ADMINISTRATION

1988 comparable appropriation	\$79,464,000
1989 appropriation request	79,533,000
House allowance	79,533,000
Committee recommendation	82,464,000

The Committee recommends an appropriation of \$82,464,000 for program administration, which is \$2,931,000 more than the administration request and House allowance, and \$3,000,000 more than the fiscal 1988 appropriation.

The funds in this account pay for the Federal costs of administration for a variety of programs, including work incentives, aid to families with dependent children, child support enforcement, energy assistance, refugee and entrant assistance, and community services block grant activities.

The amount recommended is intended to maintain existing staff levels, including restoration of Labor Department positions necessary to continue the Work Incentive Program, which the administration had proposed be eliminated. The Committee directs that at least \$3,400,000, which includes the amount necessary to continue the direct payment of penalty mail which State employment security agencies are authorized to use, will be expeditiously transferred to the Department of Labor.

ASSISTANT SECRETARY FOR HUMAN DEVELOPMENT SERVICES

SOCIAL SERVICES BLOCK GRANT

1988 comparable appropriation	\$2,700,000,000
1989 appropriation request	2,700,000,000
House allowance	2,700,000,000
Committee recommendation	2,700,000,000

The Committee recommends an appropriation of \$2,700,000,000 for the social services block grant. This is the same as the administration request and the House allowance. The recommendation is also the same as the fiscal year 1988 appropriation. The \$2,700,000,000 appropriation is the full amount currently authorized by law.

These funds are granted to States and territories to enable them to provide services to low-income persons, including recipients of AFDC, SSI, and Medicaid program funds. Services include programs to: prevent, reduce, or eliminate dependency on Federal assistance; assist low-income persons to achieve or maintain self-sufficiency by providing supportive services such as day care; prevent neglect, abuse, or exploitation of children and adults; prevent or reduce inappropriate institutional care; and secure admission or referral to institutional care when other forms of care are not appropriate.

HUMAN DEVELOPMENT SERVICES

1988 comparable appropriation.....	\$2,455,532,000
1989 appropriation request.....	2,456,868,000
House allowance.....	2,531,808,000
Committee recommendation.....	2,573,465,000

The Committee recommends an appropriation of \$2,573,465,000 for human development services. This is \$116,597,000 more than the administration request and \$41,657,000 more than the House allowance. The recommendation is \$117,933,000 more than the fiscal year 1988 appropriation of \$2,455,532,000. The House allowance excludes budget requests of \$30,876,000 for programs lacking renewed authorizing legislation.

The Human Development Services appropriation consists of programs for children and youth, the elderly, the developmentally disabled, and native Americans, as well as Federal administrative costs.

The Committee has not agreed with the budget proposal to replace eight research, training, and demonstration line-items with a consolidated request.

Head Start

Head Start is a program designed to reach the most vulnerable children and families. This program is intended primarily for preschoolers from low-income families, and seeks to help these children function effectively in their present environment and to be able to assume responsibilities in school and community activities. Programs emphasize cognitive and language development, physical and mental health, and parent involvement to encourage each child to determine at his or her highest level of potential. At least 10 percent of the children served are handicapped.

The Committee recommends \$1,250,000,000 for the Head Start Program, an increase of \$43,676,000 over fiscal year 1988. This amount is sufficient to offset the impact of inflation, maintaining the high quality of these preschool services which make an important contribution to efforts combatting such problems as the high dropout rate.

The Committee also included \$1,500,000 for child development associate scholarships, an increase of \$64,000 over the budget request and fiscal 1988 enacted appropriations.

Child development program

The Committee has included \$20,000,000 for start-up costs of the comprehensive Child Development Program authorized by Public Law 100-297. There was no budget request for this program, and the House has also provided \$20,000,000 to initiate it.

Under this program the Secretary is authorized to make operating grants to eligible agencies in rural and urban areas to pay the Federal share of the cost of projects designed to encourage intensive and comprehensive supportive services which will enhance the physical, social, emotional, and intellectual development of low-income children from birth to compulsory school age, including providing necessary support to their parents and other family members.

Child abuse and neglect/family violence

This program improves and increases activities at all levels of government which identify, prevent, and treat child abuse and neglect through State grants, technical assistance, research, demonstration, and service improvement.

The Committee has included \$30,898,000 for child abuse prevention and treatment. This total restores fiscal 1988 cutbacks to fiscal 1987 enacted amounts, including \$12,000,000 for State grants, \$13,898,000 for child abuse discretionary activities, and \$5,000,000 for challenge grants.

The Committee recognizes that renewed authorizing legislation, the Child Abuse Prevention, Adoption and Family Services Act of 1988, require several new studies of the relationship between child abuse and various contributing factors. The Committee urges the Department to consider submitting a supplemental budget request to finance these new studies, so that existing activities will not be adversely affected. The Committee intends that a majority of the discretionary research and demonstration grants from the National Center on Child Abuse and Neglect go to support prevention activities as directed by the new authorizing legislation.

For programs authorized by the Family Violence Prevention and Treatment Act, the Committee recommends \$8,500,000, an increase of \$362,000 over the budget request and fiscal 1988 enacted level.

The Committee recommends \$5,000,000 for temporary child care for handicapped children and crisis nurseries, an increase of \$213,000 over the initial funding provided in fiscal 1988 to implement this program. Funds provide in-home or out-of-home nonmedical child care for handicapped children and children with chronic or terminal illness, and programs to provide crisis nurseries for abused or neglected children. The House deferred consideration due to lack of renewed authorizing legislation. The administration proposed no funding for this program, but requested \$4,787,000, the amount of the 1988 appropriation, be added to child welfare research and demonstration for similar activities in a consolidated research, training, and demonstration account.

Runaway and homeless youth

This program provides support to State and local governments and nonprofit agencies to help community-based facilities deal with the immediate needs of runaway and homeless youth and their families outside the framework of the law enforcement and juvenile justice systems. Funds are allocated to homeless and runaway youth centers based on the number of youth under age 18 per State, and grants are authorized for a national communications system linking runaways, their families, and service providers.

The Committee has provided \$27,250,000 for programs authorized by the Runaway and Homeless Youth Act, an increase of \$1,161,000 over both the budget request and fiscal 1988 enacted levels. Due to lack of renewed authorizing legislation, the House deferred consideration of runaway youth services.

Dependent care planning and development

The Dependent Care Program provides grants to States for activities related to dependent care resource and referral systems and school-age child care services. These funds are to be used to assist in the planning, development, establishment, and expansion or improvement of child care services, but are not to be used for operating costs associated with specific referral or child care services.

The Committee recommends \$8,750,000 for dependent care programs, \$373,000 over the fiscal 1988 level and fiscal 1989 budget request.

Child welfare assistance

The Committee recommends an appropriation of \$250,000,000 for child welfare assistance, an increase of \$10,650,000 over both the fiscal 1988 enacted level and fiscal 1989 budget request.

The primary purposes of the Child Welfare Assistance Program are to prevent the child's removal from the home and to keep the family together. Where removal from the home is necessary, the program provides services to reunite the child with his or her family as quickly as possible. Where this is not appropriate, the program provides services aimed at recruiting and placing the child in an appropriate permanent setting, such as an adoptive home.

Child welfare training

The Committee recommendation of \$3,823,000 for child welfare training restores funding to the fiscal 1987 level, is \$163,000 above the fiscal 1988 enacted appropriation and House allowance. The administration proposed consolidation into a human services research, training, and demonstration account.

Adoption opportunities

The Committee recommends \$5,000,000 for adoption opportunities, restoring funding to the fiscal 1987 level. This is an increase of \$213,000 over both the fiscal 1988 enacted level and the fiscal 1989 budget request.

This activity funds a national adoption data-gathering and analysis

system, including a national information exchange, and implements adoption training and technical assistance programs. The administration proposed consolidation into a human services research, training, and demonstration account.

The Committee has not considered funding for two new demonstration programs which were authorized under the Adoption Opportunities Program as a result of the Child Abuse Prevention, Adoption, and Family Services Act of 1988 (Public Law 100-294). The Committee recognizes the importance of these two programs, postlegal adoption services and minority children placements, and encourages the administration to consider submitting budget requests on a timely basis.

Child welfare research

The Committee recommends an appropriation of \$11,340,000 for child welfare research, restoring funding to the fiscal 1987 level. This is an increase of \$483,000 over the fiscal 1988 enacted level and the fiscal 1989 budget request.

This program provides financial support to public or other nonprofit institutions for special research and demonstration projects in the field of child welfare and child development which are of national significance. Its ultimate goal is to strengthen and support the family as the primary institution for meeting the developmental needs of children and youth. Projects concentrate on serving children in foster care in need of adoption or day care, as well as delinquent youth. The administration proposed consolidation into a human services research, training, and demonstration account.

Aging

The Committee recommends an appropriation of \$757,700,000 for programs funded through the Administration on Aging. This figure is an increase of \$32,278,000 over the fiscal 1988 appropriation and \$56,213,000 over the budget request.

Supportive services and centers.—Funds under this program are currently awarded by formula grant to each State with an approved State plan on aging to pay up to 85 percent of the cost of operating and establishing social services, including multipurpose senior centers. State agencies on aging make awards to area agencies on aging on the basis of State-approved area plans and intrastate funding formulas.

The Committee has included \$280,000,000 for supportive services and centers, \$11,928,000 above the fiscal 1988 appropriation, as well as the \$268,072,000 budget request.

Ombudsman activities

The Committee recommendation includes \$1,000,000 for ombudsman activities, an increase of \$43,000 over the budget request and House allowance. The Committee recognizes that appropriations for long-term care ombudsman activities do not meet the so-called funding trigger required in the Older Americans Act amendments of 1987. However, the Committee urges the Administration on Aging to encourage the States to allocate their proportionate share of this amount for the ombudsman programs, through the supportive services and centers activity.

Congregate and home-delivered meals.—The congregate and home-delivered meals programs provides funds for operating and establishing nutrition services projects, which provide meals to older persons. Each meal served must: meet one-third of the minimum daily dietary requirements; consider health, religious, or ethnic dietary needs of participants; and be served in food containers and with utensils usable by blind and handicapped individuals where feasible and appropriate. Home-delivered and congregate meals are to be available at least once a day, 5 days a week.

The Committee recommends a total of \$439,000,000 for nutrition services, including \$360,000,000 for congregate meals and \$79,000,000 for home-delivered meals. The congregate meals recommendation is \$15,336,000 over the fiscal 1988 level and the home-delivered meals recommendation is \$3,365,000 over fiscal 1988 enacted appropriations. The budget requests for nutrition services and home-delivered meals are \$344,664,000 and \$75,635,000, respectively, the fiscal 1988 enacted levels.

Grants to Indian tribes.—This program currently provides grants to eligible Indian tribal organizations to promote delivery of the following services to older Indians not served by other programs: meals at least once a day, 5 days a week, according to the specifications of the Nutritional Services Program; and legal, information, and referral services. Funds are also available to older Indians for temporary shelter, fuel, road clearing, water services, health and screening services, and an ombudsman program.

The Committee recommends restoring funding to the fiscal 1987 level for grants to Indian tribes, \$7,500,000. This is an increase of \$319,000 over the budget request and fiscal 1988 enacted level of \$7,181,000.

Frail elderly

The Committee has included \$5,000,000 for frail elderly in-home services, an increase of \$213,000 over the budget request and House allowance. In-home services include: homemaker and home health aides; visiting and telephone reassurance; chore maintenance; in-home respite care for families; and minor home modification.

Research, training, and special projects.—These funds are currently used to provide adequately trained personnel in the field of aging, improve knowledge on the problems and needs of older Americans, and demonstrate new methods of improving the quality of life of older persons.

The Committee recommendation of \$25,000,000 represents an increase of \$1,065,000 over the budget request, as well as the fiscal 1988 enacted level, for research, training, and demonstration activities in the field of aging.

The Committee directs the Administration on Aging to increase funding above current levels for the following activities: career preparation training; research; and national minority aging organizations with a proven track record in providing special representation and outreach services to the minority elderly.

The Committee also calls upon the Administration on Aging to promote career preparation training of minorities in the field of aging: (1) particularly in policy, managerial, administrative, and supervisory positions; and (2) especially in health, long-term care, and legal services settings.

The Committee further directs the Administration on Aging to provide grants for at least five university-based, long-term care gerontology centers to conduct research, training, and demonstrations on appropriate institutional and noninstitutional long-term care services and to provide technical assistance to State and area agencies on aging and others in the field of aging.

The Committee directs the Administration on Aging to fund national legal services support and demonstration projects at \$1,000,000 (on an annual basis), at a minimum, for fiscal year 1989. National legal services support and demonstrate projects mean those which: (1) are conducted by national nonprofit legal assistance organizations which provide support and demonstrations on a national basis to local legal assistance providers; and (2) provide national legal assistance support and demonstrations to local legal assistance providers or State and area agencies on aging for the purpose of providing, including case consultations; training; provision of substantive legal advice and assistance; and assistance in the design, implementation, and administration of free legal assistance delivery systems.

The Committee commends the Administration on Aging for consulting with national aging organizations to develop a sound, relevant, and substantive program announcement for fiscal year 1989. The Committee strongly believes that this dialogue can help to improve the administration of title IV and to make research, training, and demonstration activities even more beneficial for older Americans.

The Committee was pleased that the Office of Human Development Services made American Samoans one of its priorities during last year's discretionary funding cycle. The Committee urges the Office of Human Development Services to continue to keep the problems of American Samoans an identifiable priority during this fiscal year's funding cycle.

The Committee continues to be supportive of prevention activities and has included sufficient funds in this year's bill for these projects to continue. The Committee further again urges the Commissioner on Aging to ensure that the unique expertise of Schools of Public Health is utilized, wherever possible.

Federal Council on Aging

The Federal Council on Aging was established by Congress in 1973 to advise both the legislative and executive branches on matters related to the special needs of older Americans.

The \$200,000 Committee recommendation is an increase of \$9,000 over both the budget request and fiscal 1988 enacted appropriation, restoring funding to the fiscal 1987 level.

Developmental disabilities

Developmental disability is defined as a severe, chronic disability which: Is attributable to a mental or physical impairment or combination of mental and physical impairments; is manifested before the age of 22; and is likely to continue indefinitely. Major components of this program are: State grants; protection and advocacy services; projects of national significance; and a training effort, funded through university affiliated programs, for personnel needed to render special services.

The Committee recommends \$97,000,000 for the Administration on Developmental Disabilities, an increase of \$4,133,000 over the fiscal 1988 enacted level and \$19,451,000 over the budget request. This recommendation is \$13,317,000 above comparable appropriations for fiscal year 1987.

For State grants, the Committee recommends \$61,000,000, an increase of \$2,599,000 over the budget request and fiscal 1988 enacted level of \$58,401,000. These funds will be used to provide payments to States to assist in the development of a comprehensive system and coordinated array of services and other support to people with developmental disabilities in order to increase their independence, productivity, and integration into the workplace and the community.

For protection and advocacy grants, the \$20,000,000 Committee recommendation is \$852,000 over both the budget request and fiscal 1988 appropriation. These grant funds are provided to States which have a system in place to protect the rights of persons with developmental disabilities and are awarded on the basis of a formula that considers population, the extent of the need for services by persons with developmental disabilities, and the financial need of the State.

For developmental disabilities special projects, the Committee recommends \$3,000,000, compared to \$2,872,000 appropriated for fiscal year 1988. The budget request proposed consolidation of this line item into a new human services research, training, and demonstration activity.

For university affiliated programs, the Committee recommends \$13,000,000, compared to \$12,446,000 appropriated in fiscal year 1988. The administration proposed consolidation into a new human services research, training, and demonstration activity.

The University Affiliated Program currently provides operational and administrative support for a national network of 35 university affiliated facilities and 6 satellite centers. Grants are made annually to university affiliated programs and satellite centers based upon performance involving interdisciplinary training, the demonstration of exemplary services and technical assistance, and the dissemination of information to increase the independence, productivity, and community integration of persons with developmental disabilities.

Grants are made to assist university affiliated programs and satellite centers in administering and operating facilities for the provision of diagnostic, evaluative, and treatment services to individuals with developmental disabilities, and for interdisciplinary training programs for personnel needed to provide specialized and generic services to these individuals.

Native American programs

The Native American Program includes financial assistance grants, training and technical assistance, research, demonstration and evaluation and a demonstration revolving loan fund for Native Hawaiians. Assistance is provided through direct grants, contracts, and interagency agreements. These funds will support projects that are expected to result in sustained improvement in the social and economic conditions of native Americans within their communities, and at the same time, to increase the effectiveness of Indian tribes and native American organizations to achieve their own economic and social goals.

The Committee recommends the appropriation of \$31,000,000 for the Administration for Native Americans, an increase of \$1,321,000 over the budget request and fiscal 1988 enacted level of \$29,679,000. The Committee has included \$1,000,000, the same as last year's amount, to continue the revolving loan fund for Native Hawaiians, pursuant to the provisions of the Native American Programs Act.

The Committee believes that it would be particularly useful to have an Office for Native American Programs within the Administration on Aging. This office should greatly improve the administration of title VI grant programs and help make the needs of elderly native Americans much more visible.

Program direction

This appropriation provides for the Federal staff that administer programs for children, youth, the aged, the developmentally disabled, and native Americans. Activities include policy guidance, development of program standards, and technical assistance to grantees.

The Committee recommends \$65,704,000 for human development services program direction, the same as the administration's budget request and \$1,136,000 over the fiscal 1988 appropriation. The Committee recommendation is \$180,000 more than the House recommendation.

In view of recent amendments to both the Developmental Disabilities Act and the Older Americans Act that place greater emphasis on planning, training, and service provision to elderly persons with developmental disabilities, the Committee urges the two appropriate administrative agencies to explore jointly funded projects in areas where they have similar legislative mandates and target populations. Such coordination is necessary because of the rapidly increasing number of older Americans with life-long disabilities. Current national estimates establish that by the year 2000 4 out of every 1,000 persons above the age of 55 will face a handicapping condition.

FAMILY SOCIAL SERVICES

1988 comparable appropriation	\$811,178,000
1989 appropriation request	1,074,907,000
House allowance	1,074,907,000
Committee recommendation	1,119,907,000

The Committee recommends an appropriation of \$1,119,907,000 for family social services. This is \$45,000,000 more than the administration

request and House allowance, and \$308,729,000 more than the fiscal year 1988 appropriation of \$811,178,000.

Two entitlement programs—foster care and adoption assistance—now comprise family social services. The Foster Care Program provides funds to States to assist with costs of foster care maintenance for eligible children, administrative costs associated with management of the program, and staff training. The Adoption Assistance Program provides funds to States to assist in paying maintenance costs for children who are adopted under certain conditions. The objective is to provide permanent homes for children for whom adoptive homes are hard to find due to age, minority status, or the presence of handicapping conditions.

The same State agency which administers the Child Welfare Services State Grant Program must administer or supervise the administration of both programs.

Most of the increase over fiscal 1988, \$263,729,000, is requested by the administration, and consists of \$108,930,000 for prior year claims and \$173,863,000 for foster care current law estimates, based on revised economic assumptions, higher number of children in foster care, maintenance payments, administrative costs, and transfers to child welfare services. The Committee has also included \$45,000,000, not requested by the administration and deferred by the House to continue the Independent Living Program at its fiscal 1988 funding level. The Independent Living Program provides specialized services to assist older foster care children make the transition, by age 18, to living on their own as independent adults.

DEPARTMENTAL MANAGEMENT

GENERAL DEPARTMENTAL MANAGEMENT

1988 comparable appropriation	\$67,840,000
1989 appropriation request	68,160,000
House allowance	68,160,000
Committee recommendation	64,860,000

The Committee recommends an appropriation of \$64,860,000 for general departmental management. This is \$3,300,000 less than the administration request and the House allowance. The Committee recommendation is \$2,980,000 less than the fiscal year 1988 level.

The Committee also recommends the transfer of \$7,000,000 from the Social Security and Medicare trust funds. This is equal to the administration's request and is \$618,000 more than the fiscal year 1988 amount.

The general departmental management appropriation supports those activities that are associated with the Secretary's roles as policy officer and general departmental manager, including the areas of public affairs, executive secretariat, legislative services, planning and evaluation, procurement assistance, facilities management, legal services, and policy planning and functional guidance for all departmental operations.

Nonresident refugees

The Committee finds that there is a need for both a national policy and a national program which provides for the reimbursement of U.S. medical institutions and physicians which have proffered medical care for seriously ill, nonresident refugees. Since these refugees are ineligible for Medicaid, and without alternative means of support, the hospitals and physicians attending to their care have been forced to absorb enormous financial costs. Therefore, the Committee directs that the Secretary of Health and Human Services, and the Secretary of State, examine the national policy on reimbursement for these services and prepare a joint report to be provided to the Committee by December 31, 1988. The report should include the pending requests to the administration for urgent refugee medical care in the United States, the status of those refugees admitted into the United States for urgent medical care during fiscal 1988, the estimated cost of providing such medical services, the alternatives available for reimbursement, the role of State and local governments, PVO's, and national refugee assistance organizations, and the policy and plan of the administration for payment of medical care provided by U.S. medical institutions and physicians to seriously ill nonresident refugees.

Nurses

The Committee remains concerned that the Department continue to make a special effort to ensure that professional nurses are appointed to various policy boards and committees. The current nursing crisis has major ramifications for all aspects of our Nation's health programs and the Committee feels that nursing expertise must be actively involved in policy recommendations.

OFFICE OF THE INSPECTOR GENERAL

1988 comparable appropriation	\$35,769,000
1989 appropriation request	46,430,000
House allowance	46,430,000
Committee recommendation	46,430,000

The Committee recommends new budget authority of \$46,430,000 for the Office of the Inspector General [OIG], plus a \$40,000,000 transfer from the social security trust funds for total obligational authority of \$86,430,000. The Committee recommendation is the same as the administration's request and the House amount and \$10,661,000 more fiscal year 1988 appropriation.

The Office of the Inspector General is comprised of three components: the Office of Audit, the Office of Investigations, and the Office of Analysis and Inspections. Each component focuses on three primary areas of the Department—the Health Care Financing Administration [HCFA], the Social Security Administration [SSA], and grants and internal systems. Activities cover all six operating divisions of the Department, including HCFA, SSA, the Family Support Administration [FSA], the Public Health Service [PHS], Human Development Services [HDS], and Office of the Secretary. Through a program of audits,

investigations, inspections, and program evaluations, the Office of the Inspector General reduces the incidence of fraud, waste, abuse, and mismanagement, and promotes economy, efficiency, and effectiveness throughout the Department.

The Committee recognizes the steadily increasing responsibilities placed on the Office of Inspector General through new legislation and expansion of departmental programs and activities. Reconciliation legislation in 1985, 1986, and 1987 and the Medicare and Medicaid Patient and Program Protection Act of 1987 have added over 40 new legislative provisions for OIG to enforce. Those provisions are designed to protect HHS program beneficiaries, including the aged and the infirmed, from substandard care. They are also designed to protect the integrity of HHS programs against fraud, misuse, and misrepresentation. To guarantee this important protection, it is essential that the Inspector General's Office be sufficiently staffed with auditors, investigators, and inspectors to discharge its statutory responsibilities.

The Committee recommendation will support 1,302 full-time equivalent [FTE] positions, the same as the administration's request, and an increase of 66 positions over last year's level.

OFFICE FOR CIVIL RIGHTS

1988 comparable appropriation	\$16,343,000
1989 appropriation request.....	16,173,000
House allowance.....	16,173,000
Committee recommendation.....	16,173,000

The Committee recommends \$16,173,000 in Federal funds for the Office for Civil Rights [OCR], which is a decrease of \$170,000 from the fiscal year 1988 amount, and the same as the House allowance and the administration's request. Also included is authority to spend \$4,000,000 from the social security trust funds, the same as the fiscal year 1988 amount.

OCR is responsible for enforcing civil rights-related statutes in health care and human services programs. To enforce these antidiscrimination statutes, the Office investigates complaints of discrimination, conducts comprehensive reviews of programs to correct discriminatory practices, conducts outreach initiatives, and provides technical assistance to encourage voluntary compliance among health and human services providers and constituency groups.

The Committee recommendation will support 325 full-time equivalent [FTE] positions, a decrease of 25 FTE's from the fiscal year 1987 level.

POLICY RESEARCH

1988 comparable appropriation	\$4,873,000
1989 appropriation request.....	5,019,000
House allowance.....	8,373,000
Committee recommendation.....	7,519,000

The Committee recommends an appropriation of \$7,519,000 for policy research. This is \$2,500,000 more than the administration request,

\$854,000 less than the House allowance, and \$2,646,000 more than the fiscal year 1988 appropriation.

This program is authorized by section 1110 of the Social Security Act. It constitutes one of the Department's principal sources of policy-relevant data and research on income sources of the low-income population; on the impact, effectiveness, and distribution of benefits under existing or proposed programs; and, on specific issues that impact upon programs affecting more than one agency within the Department. It is used to analyze issues that cannot be covered in other departmental research programs or under existing evaluation activity. Funding is provided to continue the ongoing, highest priority research and further development of simulation models used for analysis of policy alternatives. Research will continue in the priority areas of welfare policy, retirement policy, the health insurance experiment, health incentives, aging, disability, long-term care, and human services policy.

The Committee recommendation includes \$2,500,000 to continue Federal support for the work of the Institute for Research on Poverty. The Committee notes that the Institute has been receiving Federal funding since 1966. The funding provided is intended to allow the Institute to continue to produce policy-relevant research for an additional 2 years.

GENERAL PROVISIONS

Public Health Service full-time equivalents

The Committee once again notes that as the AIDS budget has increased, the Public Health Service [PHS] has had to divert personnel from other areas of responsibility to effectively manage its AIDS efforts. Since 1983, FTE for non-AIDS have decreased by almost 5,000, while AIDS FTE have increased by approximately 1,000. Though the Committee has continuously expressed concern about constrained FTE levels through language contained in the reports accompanying the appropriations bills, the administration has steadfastly neglected the Committee's direction. For example, the fiscal year 1989 President's budget provides an increase of 96 FTE's for AIDS activities while reducing non-AIDS activities by 432 FTE's. If approved NIH would be required to reduce non-AIDS activities by 169 FTE's to support priority AIDS efforts. Therefore, the Committee has again included bill language stating that no personnel ceilings may be imposed, or any other action may be taken which would have the effect of restricting PHS programs from carrying out the activities funded by Congress in the Department of Health and Human Services appropriation acts. This restriction would apply to the Health Resources and Services Administration; the Centers for Disease Control; the National Institutes of Health; the Alcohol, Drug Abuse, and Mental Health Administration; and the Office of the Assistant Secretary for Health.

Every major organizational review including those recently by the Institute of Medicine and the President's Commission on AIDS has concluded that a lack of FTE's has been a major obstacle in the PHS battle

The Review Commission is charged with ruling on cases forwarded to it by the Department of Labor when disagreements arise over the results of safety and health inspections performed by the Occupational Safety and Health Administration [OSHA]. Employers have the right to dispute any alleged job safety or health violation found during the inspection by OSHA, the penalties proposed by OSHA, and time given by OSHA to correct any hazardous situation. Employees and representatives of employees may initiate a case by challenging the propriety of the time OSHA has allowed for correction of any violative condition.

The Review Commission has been without the necessary quorum of two sitting Commissioners since April 1987. As a result, the Commission has been inoperative at the review level and unable to dispose of the backlog of cases that have been directed for review. Nominations to fill the two vacancies on the Commission have been pending in the Senate since January 1986 and May 1987. The Committee views the lack of action on these nominations as indicative that the Commission will continue to be inoperative at the review level through much of fiscal year 1989. The Committee has provided funding below the administration request since the request assumes fully operative review activities throughout fiscal year 1989.

PHYSICIAN PAYMENT REVIEW COMMISSION

1988 comparable appropriation	\$2,997,000
1989 appropriation request	3,059,000
House allowance	3,059,000
Committee recommendation	3,059,000

The Committee provides the authority to transfer \$3,059,000 from the Federal supplementary medical insurance trust fund to support the activities of the Physician Payment Review Commission [PPRC]. This is the same as the Commission's independent request to the Congress and the House allowance, \$62,000 more than the fiscal year 1988 appropriation.

The Physician Payment Review Commission was established by section 9305 of the Consolidated Omnibus Reconciliation Act of 1985 (Public Law 99-272). The Commission makes recommendations to the Congress by March 1 of each year regarding adjustments to the reasonable charge levels for Medicare-related physicians' services and changes in the methods for determining the rates of payment, and for making payment, for such services. This includes advising Congress on issues surrounding the discrepancy among reimbursement rates based on geographic location. The Commission also advises and makes recommendations to the Secretary of Health and Human Services regarding a relative value scale.

The appropriation will support the work of the 13 commissioners, an executive director, and a staff of not more than 25. The amount approved includes \$606,000 for policy analysis and data development.

PROSPECTIVE PAYMENT ASSESSMENT COMMISSION

1988 comparable appropriation	\$3,592,000
1989 appropriation request.....	3,664,000
House allowance.....	3,664,000
Committee recommendation.....	3,664,000

The Committee recommends the transfer of \$3,664,000 from the Medicare trust funds for the operation of the Prospective Payment Assessment Commission [ProPAC]. This is the same as the Commission's independent request to the Congress and the House allowance, and \$72,000 more than the fiscal year 1988 appropriation.

The Commission was established by the Social Security Amendments of 1983 (Public Law 98-21), which enacted the Medicare Prospective Payment System [PPS]. ProPAC acts as an advisory body to the Secretary of Health and Human Services and the Congress, providing recommendations and reports on the functioning of the Prospective Payment System and adjustments needed in the system to assure that it is maintained and kept up to date. ProPAC is a permanent, independent body with 17 commissioners appointed by the Director of the congressional Office of Technoioy Assessment.

This amount of funding will provide for the ongoing work of the Commission, which includes the development and maintenance of a strong data and policy analysis capability, the development and submission of three annual reports, and the provision of continuing oversight of the Prospective Payment System. The amount provided includes \$1,175,000 for data development, analysis, and research.

RAILROAD RETIREMENT BOARD

DUAL BENEFITS PAYMENTS ACCOUNT

1988 comparable appropriation	\$352,323,000
1989 appropriation request.....	336,185,000
House allowance.....	355,000,000
Committee recommendation.....	¹ 355,000,000

¹ Includes \$28,000,000 in tax receipts.

The Committee has provided a total of \$355,000,000 for the "Dual benefits payments" account. The Committee recommends an appropriation of \$327,000,000. In addition, the Committee has included bill language to add \$28,000,000 in income tax receipts on dual benefits, as authorized by law. This is \$18,815,000 more than the administration request, the same as the House allowance, and is \$2,677,000 more than fiscal year 1988 appropriation.

This appropriation provides for vested dual benefits authorized by the Railroad Retirement Act of 1974, as amended by the Omnibus Reconciliation Act of 1981. This separate account established for the payment of dual benefits is funded by general fund appropriations.

Army and Air Force veterans. The facility, which is currently serving about 2,100 residents, is funded by annual appropriations made by Congress from a trust fund on deposit with the U.S. Treasury. Income to the fund is received from members' fees, interest, withheld pay, and nonjudicial fines imposed on active duty soldiers and airmen.

CAPITAL OUTLAY

1988 comparable appropriation	\$15,445,000
1989 appropriation request	13,215,000
House allowance	15,000,000
Committee recommendation	15,000,000

The Committee recommends authority to expend \$15,000,000 from the Soldiers' and Airmen's Home permanent fund. This amount is \$1,785,000 more than the administration request and 445,000 less than the fiscal year 1988 appropriation.

This appropriation, in combination with funds provided in fiscal year 1988, is intended to finance the construction of a 200-bed intermediate care facility. The Committee has recognized the construction of this facility to be a long-standing need at the home, as have the Surgeon General of the U.S. Army, the Army's Chief of Engineers, the home's Board of Commissioners and the Secretaries of the Army and Air Force. This facility will enable the home to provide necessary care in an appropriate setting for those residents that require medical attention but do not require hospitalization. With the design, procurement and construction phases of the project now fully financed, the Committee directs that the home commence construction of the facility without further administrative review or delay. The Committee also expects the necessary renovation activities for the home's dormitories and other facilities to continue with funds already provided as called for in the Board of Commissioner's renovation plan for the home.

U.S. BIPARTISAN COMMISSION ON COMPREHENSIVE HEALTH CARE

1988 comparable appropriation	
1989 appropriation request	
House allowance	
Committee recommendation	\$1,046,000

The Committee recommends an appropriation of \$1,046,000 for the U.S. Bipartisan Commission on Comprehensive Health Care. There was no administration request or House allowance for this program.

The Commission was established by the Medicare Catastrophic Coverage Act of 1988. The 15-member Commission will study and make recommendations to Congress regarding comprehensive long-term care services and comprehensive health care for the elderly and disabled, and comprehensive health care services for all individuals in the United States. The Commission will submit two reports: (1) a report on long-term care services for the elderly and disabled in 6 months, and (2) a report on comprehensive health care services for all Americans in 1 year. The Commission will terminate 30 days after the date it submits the report on comprehensive health care services.

The Committee supports the establishment of a bipartisan commission to define national health policy recommendations. The Committee fully recognizes the challenges presented by the Nation's health care needs and fiscal constraints and believes the complexity of this issue mandates a comprehensive approach. The Committee expects the Commission to report on all (but not limited to) the following issues: the essential health care services that should be available to all Americans; the ethical and legal basis for policy recommendations; the goals of the national health care policy and their rationale; the determination of the most effective and efficient roles for Government and the private sector in promoting and assuring access to quality health care; and the reduction of overall health care expenditures (based on a percentage of the gross national product [GNP] or an alternative method of measurement).

U.S. INSTITUTE OF PEACE

1988 comparable appropriation	\$4,308,000
1989 appropriation request	3,376,000
House allowance	Defer
Committee recommendation.....	8,000,000

The Committee recommends an appropriation of \$8,000,000 for the U.S. Institute of Peace. This is \$4,624,000 more than the administration request and \$3,692,000 more than the fiscal year 1988 appropriation. The House deferred action on the Peace Institute pending the enactment of reauthorization legislation.

The Institute was established by the United States Institute of Peace Act (Public Law 98-525). The Institute is an independent, nonprofit, national organization that promotes scholarship and education in matters relating to peace and international conflict resolution. The Institute is governed by a 15-member Board of Directors and is located in Washington, DC.

The Committee wishes to express its strong support of the Institute's enhanced efforts at community outreach. The Committee expects that with additional funds provided for fiscal year 1989, the Institute will further expand its efforts in this area. More specifically, the Committee requests that the Institute establish goals toward disseminating school curricula on conflict resolution and issues in the field of peace that will be appropriate and instructive for students at a variety of grade levels.

**COMPARATIVE STATEMENT OF NEW BUDGET (OBLIGATIONAL) AUTHORITY FOR FISCAL YEAR 1988 AND
BUDGET ESTIMATES AND AMOUNTS RECOMMENDED IN THE BILL FOR FISCAL YEAR 1989—Continued**

[Amounts in dollars]

Item (1)	1988 appropriation (2)	Budget estimate (3)	House allowance (4)	Senate committees recommendation compared with (+ or -)		
				Committee recom- mendation (5)	1988 appropriation (6)	House allowance (7)
Contingency.....	---	5,000,000	---	---	---	-5,000,000
Military Services Credits.....	---	6,694,000	6,694,000	6,694,000	46,694,000	---
Total, Retirement pay and medical benefits.....	89,859,000	107,687,000	102,687,000	102,687,000	412,878,000	-5,000,000
Total, Public Health Service, current action.....	8,422,247,000	9,080,529,000	9,175,915,000	9,245,101,000	4822,854,000	4164,572,000
(Unauthorized, not considered).....	(2,224,024,000)	(2,129,735,000)	REFER	(2,377,620,000)	(4153,596,000)	(4247,965,000)
Total, authorized and unauthorized.....	(10,646,271,000)	(11,210,244,000)	(9,175,015,000)	(11,622,721,000)	(4976,450,000)	(42,447,706,000)
HEALTH CARE FINANCING ADMINISTRATION						
GRANTS TO STATES FOR MEDICAID 1/						
Medicaid current law benefits.....	29,204,744,000	31,068,237,000	31,068,237,000	32,707,000,000	43,502,256,000	41,638,763,000
State and local administration.....	1,452,188,000	1,664,352,000	1,664,352,000	1,529,000,000	476,812,000	-135,352,000
Subtotal, medicaid program level, FY 1989.....	30,656,932,000	32,732,589,000	32,732,589,000	34,236,000,000	43,979,068,000	41,503,411,000
Less funds advanced in prior year.....	-7,100,000,000	-8,000,000,000	-8,000,000,000	-8,000,000,000	-900,000,000	---
Total, current request, FY 1989.....	23,556,932,000	24,732,589,000	24,732,589,000	26,236,000,000	42,679,068,000	41,503,411,000
New advance, 1st quarter, FY 1990.....	8,000,000,000	9,000,000,000	9,000,000,000	9,000,000,000	11,000,000,000	---

1/ Budget request related to FY 1990 & FY 1991
biennial budget not considered.

PAYMENTS TO HEALTH CARE TRUST FUNDS 1/

Supplemental medical insurance.....	25,418,000,000	31,585,000,000	30,712,000,000	30,712,000,000	45,294,000,000	-873,000,000	---
Hospital insurance for uninsured.....	461,000,000	493,000,000	493,000,000	493,000,000	493,000,000	---	---
Federal uninsured payment.....	14,000,000	22,000,000	22,000,000	22,000,000	18,000,000	---	---
Total, Payment to Trust Funds.....	25,893,000,000	32,100,000,000	31,227,000,000	31,227,000,000	45,334,000,000	-873,000,000	---
PROGRAM MANAGEMENT							
Research, demonstration, and evaluation:							
Federal funds.....	9,574,000	11,429,000	10,000,000	10,000,000	1426,000	-1,429,000	---
Trust funds.....	(17,233,000)	(20,571,000)	(20,000,000)	(22,000,000)	(44,767,000)	(41,429,000)	(42,000,000)
Subtotal, research, demonstration, & evaluation.....	26,807,000	32,000,000	30,000,000	32,000,000	45,193,000	---	42,000,000
Rural hospital transition demonstrations, trust funds.							
.....	---	---	(3,000,000)	(15,000,000)	(415,000,000)	(415,000,000)	(412,000,000)
Medicare Contractors (Trust Funds):							
Operating funds, current 2/.....	(1,126,546,000)	(1,391,000,000)	(1,291,000,000)	(1,291,000,000)	(4164,454,000)	(-100,000,000)	---
Contingency fund, general.....	(57,444,000)	---	(100,000,000)	(100,000,000)	(42,556,000)	(4100,000,000)	---
Contingency fund, catastrophic insurance 2/.....	(47,870,000)	(112,400,000)	(112,400,000)	---	(-47,870,000)	(-112,400,000)	(-112,400,000)
Subtotal, contingency.....	(105,314,000)	(112,400,000)	(212,400,000)	(100,000,000)	(-5,314,000)	(-12,400,000)	(-112,400,000)
Operating funds, catastrophic insurance.....							
.....	---	---	---	(160,000,000)	(4160,000,000)	(4160,000,000)	(4160,000,000)
Subtotal, Contractors.....	(1,231,860,000)	(1,503,400,000)	(1,503,400,000)	(1,551,000,000)	(4319,140,000)	(447,600,000)	(447,600,000)
Less P.L. 99-272 funds (CUBRA).....	(-105,000,000)	---	---	---	(4105,000,000)	---	---
State Certification:							
Medicare certification, trust funds.....	(57,922,000)	(62,235,000)	(62,235,000)	(66,235,000)	(48,313,000)	(44,000,000)	(44,000,000)
General program support, federal funds.....	7,937,000	3,624,000	3,622,000	4,274,000	-3,713,000	460,000	460,000
Subtotal, State certification.....	(65,859,000)	(65,859,000)	(65,859,000)	(72,459,000)	(44,600,000)	(44,600,000)	(44,600,000)

1/ Budget request related to FY 1990 & FY 1991

biennial budget not considered.

2/ Proposed for later transmittal in Pres. Budget.

**COMPARATIVE STATEMENT OF NEW BUDGET (OBLIGATIONAL) AUTHORITY FOR FISCAL YEAR 1988 AND
BUDGET ESTIMATES AND AMOUNTS RECOMMENDED IN THE BILL FOR FISCAL YEAR 1989—Continued**

[Amounts in dollars]

Item (1)	Senate committee recommendation compared with (+ or -)						
	1988 appropriation (2)	Budget estimate (3)	House allowance (4)	Committee recom- mendation (5)	1988 appropriation (6)	Budget estimate (7)	House allowance (8)
Federal Administration:							
Federal funds.....	82,257,000	81,750,000	81,750,000	81,750,000	-507,000	---	---
Less user fees.....	-1,557,000	-1,557,000	-1,557,000	-1,557,000	---	---	---
Trust funds.....	(171,570,000)	(189,350,000)	(181,284,000)	(185,584,000)	(+14,014,000)	(-3,766,000)	(+4,300,000)
Subtotal, Federal Administration.....	252,270,000	269,543,000	261,477,000	265,777,000	+13,507,000	-3,766,000	+4,300,000
Total, Prosrae anssteent.....							
Federal funds.....	98,211,000	95,246,000	93,817,000	94,417,000	-3,794,000	-829,000	4600,000
Trust funds.....	(1,373,585,000)	(1,775,556,000)	(1,769,919,000)	(1,839,819,000)	(+466,234,000)	(+64,263,000)	(+69,900,000)
Total, Health Care Financing Administration:							
Federal funds.....	57,548,143,000	65,927,835,000	65,053,406,000	66,557,417,000	49,009,274,000	4629,582,000	41,504,011,000
Current year, FY 1989.....	(49,548,143,000)	(58,927,835,000)	(58,053,406,000)	(57,557,417,000)	(+8,009,274,000)	(+629,582,000)	(+1,504,011,000)
New advance, 1st quarter, FY 1990.....	(8,000,000,000)	(9,000,000,000)	(9,000,000,000)	(9,000,000,000)	(+1,000,000,000)	---	---
Trust funds.....	(1,373,585,000)	(1,775,556,000)	(1,769,919,000)	(1,839,819,000)	(+466,234,000)	(+64,263,000)	(+69,900,000)

SOCIAL SECURITY ADMINISTRATION

PAYMENTS TO SOCIAL SECURITY TRUST FUNDS 1/.....
SPECIAL BENEFITS FOR DISABLED COAL MINERS 1/

Benefit payments.....	909,416,000	871,901,000	871,901,000	871,901,000	871,901,000	-37,515,000	---
Administration.....	6,486,000	6,680,000	6,680,000	6,680,000	6,680,000	419,000	---
Subtotal, Black Lungs, FY 1989 program level.....	915,902,000	878,581,000	878,581,000	878,581,000	878,581,000	-37,321,000	---
Less funds advanced in prior year.....	-252,450,000	-250,000,000	-250,000,000	-250,000,000	-250,000,000	42,450,000	---
Total, Black Lungs, current request, FY 1989.....	663,452,000	628,581,000	628,581,000	628,581,000	628,581,000	-34,871,000	---
New advance, 1st quarter, FY 1990.....	250,000,000	211,000,000	211,000,000	211,000,000	211,000,000	-39,000,000	---

SUPPLEMENTAL SECURITY INCOME 1/

Federal benefit payments.....	11,378,956,000	11,368,000,000	11,368,000,000	11,368,000,000	11,368,000,000	-10,956,000	---
Beneficiary services.....	12,474,000	13,547,000	13,547,000	13,547,000	13,547,000	41,073,000	---
Research demonstration.....	275,000	2,275,000	2,275,000	2,275,000	2,275,000	42,000,000	---
Administration.....	1,080,184,000	1,090,131,000	1,090,131,000	1,090,131,000	1,090,131,000	49,947,000	---
FY 1986 & 1987 shortfall, federal administrative costs	99,451,000	---	---	---	---	-99,451,000	---
Subtotal, SSI FY 1989 program level.....	12,571,340,000	12,473,953,000	12,473,953,000	12,473,953,000	12,473,953,000	-97,387,000	---
Less funds advanced in prior year.....	-2,765,000,000	-3,000,000,000	-3,000,000,000	-3,000,000,000	-3,000,000,000	-235,000,000	---
Total, SSI, current request, FY 1989.....	9,806,340,000	9,473,953,000	9,473,953,000	9,473,953,000	9,473,953,000	-332,387,000	---
New advance, 1st quarter, FY 1990.....	3,000,000,000	2,936,000,000	2,936,000,000	2,936,000,000	2,936,000,000	-64,000,000	---
LIMITATION ON ADMINISTRATIVE EXPENSES (Trust Funds)...	3,524,114,000	3,775,661,000	3,705,000,000	3,820,000,000	3,820,000,000	429,086,000	444,235,000
Contingency reserve (non-add).....	(47,870,000)	(47,870,000)	(47,870,000)	(47,870,000)	(47,870,000)	(150,000,000)	(150,000,000)

1/ Budget request related to FY 1990 & FY 1991
biennial budget not considered.

**COMPARATIVE STATEMENT OF NEW BUDGET (OBLIGATIONAL) AUTHORITY FOR FISCAL YEAR 1988 AND
BUDGET ESTIMATES AND AMOUNTS RECOMMENDED IN THE BILL FOR FISCAL YEAR 1989—Continued**

[Amounts in dollars]							
Senate committee recommendation compared with (+ or -)							
Item (1)	1988 appropriation (2)	Budget estimate (3)	House allowance (4)	Committee recom- mendation (5)	1988 appropriation (6)	Budget estimate (7)	House allowance (8)
Total, Social Security Administration:							
Federal funds.....	13,825,090,000	13,343,165,000	13,343,165,000	13,343,165,000	-481,925,000	---	---
Current year FY 1989.....	(10,575,090,000)	(10,196,165,000)	(10,196,165,000)	(10,196,165,000)	(-378,925,000)	---	---
New advances, 1st quarter FY 1990.....	(3,250,000,000)	(3,147,000,000)	(3,147,000,000)	(3,147,000,000)	(-103,000,000)	---	---
Trust funds.....	(3,524,114,000)	(3,775,661,000)	(3,705,000,000)	(3,820,000,000)	(1295,886,000)	(144,339,000)	(1115,000,000)
FAMILY SUPPORT ADMINISTRATION							
FAMILY SUPPORT PAYMENTS TO STATES 3/							
Aid to Families with Dependent Children (AFDC) 2/.....	9,624,132,000	8,618,569,000	8,618,569,000	8,967,789,000	-656,363,000	1349,200,000	1349,200,000
Payments to territories.....	13,368,000	13,368,000	13,368,000	13,368,000	---	---	---
Emergency assistance and repatriation.....	100,000,000	124,000,000	124,000,000	124,000,000	124,000,000	---	---
State and local welfare administration.....	1,045,500,000	1,186,200,000	1,186,200,000	1,186,200,000	140,700,000	---	---
Legislative savings (proposed for later transmittal):							
Recipient training.....	---	(505,000,000)	DEFER	---	---	(-505,000,000)	---
Offsetting savings.....	---	(-137,000,000)	DEFER	---	---	(137,000,000)	---
Subtotal, legislation 1/.....	---	(348,000,000)	DEFER	---	---	(-348,000,000)	---
Subtotal, Welfare payments.....	10,783,000,000	9,942,137,000	9,942,137,000	10,291,337,000	-491,663,000	1349,200,000	1349,200,000

1/ President's budget treats as discretionary.

2/ President's budget assumes \$349.2 savings from
equality control.

3/ Budget request related to FY 1990 & FY 1991
biennial budget not considered.

Child Support Enforcement:

State and local administration.....	900,000,000	900,000,000	900,000,000	4128,000,000	---
Federal incentive payments.....	270,000,000	270,000,000	270,000,000	454,000,000	---
Less federal share collections.....	-646,000,000	-757,000,000	-757,000,000	-111,000,000	---
Subtotal, Child support.....	342,000,000	413,000,000	413,000,000	471,000,000	---

Total, Payments, FY 1989 program level.....	10,355,137,000	10,355,137,000	10,704,337,000	-420,663,000	4349,200,000
Less funds advanced in previous years.....	-2,480,615,000	-2,500,000,000	-2,500,000,000	-19,385,000	---

Total, Payments, current request, FY 1989.....	8,644,385,000	7,855,137,000	8,204,337,000	-440,048,000	4349,200,000
(Unauthorized, not considered) by House.....	---	(348,000,000)	DEFER	---	(-368,000,000)
Total, authorized and unauthorized.....	(8,644,385,000)	(8,223,137,000)	(8,204,337,000)	(-440,048,000)	(149,200,000)
New advance, 1st quarter, FY 1990.....	2,500,000,000	2,644,000,000	2,700,000,000	4700,000,000	154,000,000

LOW INCOME HOME ENERGY ASSISTANCE

Energy Assistance Block Grant.....	1,531,840,000	1,187,000,000	1,567,000,000	-344,840,000	---
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REFUGEE AND ENTRANT ASSISTANCE 2/

Cash and medical assistance 3/.....	(207,043,000)	(182,189,000)	DEFER	(286,341,000)	(1104,152,000)
State administration.....	(26,231,000)	(21,569,000)	DEFER	(-26,231,000)	(-21,569,000)
Social services.....	(65,694,000)	(30,000,000)	DEFER	(65,694,000)	(435,694,000)
Voluntary agency program.....	(7,659,000)	(7,659,000)	DEFER	---	(47,659,000)
Preventive health.....	(5,840,000)	(3,000,000)	DEFER	(5,840,000)	(42,840,000)
Targeted assistance.....	(34,466,000)	(34,466,000)	DEFER	(34,466,000)	(434,466,000)

Total, Refugee Resettlement, not considered by House.....	(346,933,000)	(278,853,000)	DEFER	(453,067,000)	(1121,117,000)
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2/ State legalization payment of \$1 billion is a permanent appropriation.

3/ Senate recommendation includes \$42,000,000 for State administration; consolidated with cash and medical assistance activity.

COMPARATIVE STATEMENT OF NEW BUDGET (OBLIGATIONAL) AUTHORITY FOR FISCAL YEAR 1988 AND
BUDGET ESTIMATES AND AMOUNTS RECOMMENDED IN THE DILL FOR FISCAL YEAR 1989—Continued

[Amounts in dollars]

Item (1)	1988 appropriation (2)	Budget estimate (3)	House allowance (4)	Committee recom- mendation (5)	1988 appropriation (6)	Senate committee recommendation compared with (+ or -)	
						Budget estimate (7)	House allowance (8)
WORK INCENTIVES							
Grants to States.....	(92,551,000)	---	DEFER	(92,551,000)	---	(192,551,000)	(197,551,000)
COMMUNITY SERVICES BLOCK GRANT							
Grants to States for Community Services.....	325,516,000	282,100,000	315,000,000	344,664,000	419,148,000	462,544,000	429,664,000
Grants to States for services to the homeless.....	(19,148,000)	---	DEFER	---	(-19,148,000)	---	---
Discretionary funds:							
Unconsolidated request.....	---	27,900,000	---	---	---	-27,900,000	---
Community economic development.....	18,909,000	---	20,000,000	21,000,000	42,091,000	421,000,000	41,000,000
Rural housing.....	3,925,000	---	3,925,000	4,200,000	4275,000	44,200,000	4275,000
Fairworker assistance.....	2,948,000	---	2,948,000	3,000,000	437,000	43,000,000	432,000
National youth sports.....	6,319,000	---	7,000,000	6,500,000	4181,000	46,500,000	-500,000
Technical assistance.....	239,000	---	239,000	---	-239,000	---	-239,000
Subtotal, discretionary funds.....	32,360,000	27,900,000	34,132,000	34,700,000	42,340,000	46,800,000	4548,000
Community Partnerships.....							
Community Food and Nutrition.....	2,872,000	---	2,872,000	4,000,000	41,128,000	44,000,000	41,128,000
	2,394,000	---	2,394,000	2,500,000	4104,000	42,500,000	4104,000
Total, Community services.....	363,142,000	310,000,000	354,398,000	385,864,000	422,722,000	475,844,000	431,466,000
(Unauthorized; not considered).....	(19,148,000)	---	DEFER	---	(-19,148,000)	---	---

PROGRAM ADMINISTRATION

Federal Administration.....	79,464,000	79,533,000	79,533,000	82,464,000	13,000,000	12,931,000	12,931,000
Total, Family Support Administration.....	13,118,831,000	12,075,670,000	12,500,068,000	12,559,665,000	-559,166,000	1483,995,000	1483,995,000
Current year FY 1989.....	(10,618,831,000)	(9,431,670,000)	(9,856,068,000)	(9,859,665,000)	(-759,166,000)	(1427,995,000)	(1427,995,000)
New advances 1st quarter, FY 1990.....	(2,500,000,000)	(2,644,000,000)	(2,644,000,000)	(2,700,000,000)	(1200,000,000)	(456,000,000)	(456,000,000)
(Unauthorized; not considered by House.....)	(458,632,000)	(646,983,000)	DEFER	(192,551,000)	(133,919,000)	(-154,332,000)	(1497,551,000)
Total, authorized and unauthorized.....	(13,577,463,000)	(12,722,553,000)	(12,500,068,000)	(13,052,216,000)	(-525,247,000)	(1329,663,000)	(1552,148,000)

ASSISTANT SECRETARY FOR HUMAN DEVELOPMENT SERVICES

SOCIAL SERVICES BLOCK GRANT (TITLE XX).....	2,700,000,000	2,700,000,000	2,700,000,000	2,700,000,000	---	---	---
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HUMAN DEVELOPMENT SERVICES

Programs for Children, Youth, and Families:							
Head start.....	1,206,324,000	1,206,324,000	1,250,000,000	1,250,000,000	43,676,000	443,676,000	443,676,000
Comprehensive child development centers.....	---	---	20,000,000	20,000,000	---	420,000,000	420,000,000
Child abuse:							
State grants.....	11,489,000	11,489,000	12,000,000	12,000,000	511,000	451,000	451,000
Discretionary activities.....	13,306,000	13,306,000	13,306,000	13,898,000	592,000	4592,000	4592,000
Challenge grants.....	4,787,000	4,787,000	4,787,000	5,000,000	213,000	4213,000	4213,000
Subtotal, child abuse.....	29,582,000	29,582,000	30,093,000	30,898,000	11,316,000	11,316,000	1805,000
Child development associate scholarships.....	1,436,000	1,436,000	1,436,000	1,500,000	64,000	444,000	444,000
Homeless youth.....	(26,089,000)	(26,089,000)	DEFER	(27,250,000)	(11,161,000)	(11,161,000)	(127,250,000)
Resident Care Planning and Development.....	8,377,000	8,377,000	8,377,000	8,750,000	373,000	373,000	373,000
Family violence.....	8,138,000	8,138,000	8,138,000	8,500,000	362,000	362,000	362,000
Temporary childcare/crisis nurseries.....	(4,787,000)	(4,787,000)	DEFER	(5,000,000)	(1213,000)	(1213,000)	(15,000,000)
Child welfare assistance.....	239,350,000	239,350,000	249,350,000	250,000,000	110,650,000	110,650,000	1650,000
Child welfare training.....	3,660,000	3,660,000	3,660,000	3,823,000	163,000	163,000	163,000

**COMPARATIVE STATEMENT OF NEW BUDGET (OBLIGATIONAL) AUTHORITY FOR FISCAL YEAR 1988 AND
BUDGET ESTIMATES AND AMOUNTS RECOMMENDED IN THE BILL FOR FISCAL YEAR 1989—Continued**

[Amounts in dollars]

Item (1)	1988 appropriation (2)	Budget estimate (3)	House allowance (4)	Committee recom- mendation (5)	Senate committee recommendation compared with (+ or -)		
					1988 appropriation (6)	Budget estimate (7)	House allowance (8)
Adoption opportunities.....	4,787,000	4,787,000	4,787,000	5,000,000	4213,000	4213,000	4213,000
Child welfare research.....	10,857,000	10,857,000	10,857,000	11,340,000	4483,000	4483,000	4483,000
Subtotal, Children, Youth & Families.....	1,512,511,000	1,512,511,000	1,586,698,000	1,589,811,000	477,300,000	477,300,000	43,113,000
(Unauthorized; not considered).....	(30,876,000)	(30,876,000)	DEFER	(32,250,000)	(11,374,000)	(11,374,000)	(122,250,000)
Programs for the Asian:							
Grants to States:							
Supportive Services and Centers.....	268,072,000	268,072,000	278,000,000	280,000,000	411,928,000	411,928,000	42,000,000
Abuse/seab activities.....	957,000	957,000	957,000	1,000,000	443,000	443,000	443,000
Nutrition:							
Congregate meals.....	344,664,000	344,664,000	362,000,000	360,000,000	415,336,000	415,336,000	-2,000,000
Home-delivered meals.....	75,635,000	75,635,000	80,000,000	79,000,000	43,365,000	43,365,000	-1,000,000
Research, training, and special projects.....	23,935,000	23,935,000	23,935,000	25,000,000	41,045,000	41,045,000	41,045,000
Federal Council on Aging.....	191,000	180,000	180,000	200,000	49,000	420,000	420,000
Grants to Indians.....	7,181,000	7,181,000	7,181,000	7,500,000	4319,000	4319,000	4319,000
Fraternal in-home services.....	4,787,000	4,787,000	4,787,000	5,000,000	4213,000	4213,000	4213,000
Subtotal, Asian programs.....	725,422,000	725,411,000	757,040,000	757,700,000	432,278,000	432,289,000	4460,000
Developmental disabilities program:							
State grants.....	58,401,000	58,401,000	58,401,000	61,000,000	42,599,000	42,599,000	42,599,000
Protection and advocacy.....	19,148,000	19,148,000	19,148,000	20,000,000	4852,000	4852,000	4852,000
Developmental disabilities special projects.....	2,872,000	2,872,000	2,872,000	3,000,000	4128,000	4128,000	4128,000

University affiliated facilities.....	12,446,000	12,446,000	13,000,000	4551,000	4551,000	4954,000
Subtotal, Developmental disabilities.....	92,867,000	92,867,000	97,000,000	44,133,000	44,133,000	44,133,000
Native American Programs.....	29,679,000	29,679,000	31,000,000	41,321,000	41,321,000	41,321,000
Human services research, training & demonstration; New consolidated request (non-add).....	---	(76,650,000)	---	---	(-76,650,000)	---
Program direction.....	64,177,000	65,524,000	65,524,000	41,527,000	41,527,000	41,527,000
Total, Human Development Services, current action.....	2,424,656,000	2,425,992,000	2,531,808,000	4116,559,000	4115,223,000	49,407,000
(Unauthorized; not considered) by House.....	(30,876,000)	(30,876,000)	DEFER	(41,374,000)	(41,374,000)	(432,750,000)
Total, authorized and unauthorized.....	(2,455,532,000)	(2,456,868,000)	(2,531,808,000)	(4117,933,000)	(4116,597,000)	(441,637,000)
FAMILY SOCIAL SERVICES						
Foster care 1/.....	658,178,000	940,971,000	940,971,000	4282,793,000	---	---
Adoption assistance 1/.....	108,000,000	133,936,000	133,936,000	425,936,000	---	---
Independent living.....	(45,000,000)	---	DEFER	(45,000,000)	(45,000,000)	---
Total, Family Social Services.....	766,178,000	1,074,907,000	1,074,907,000	4308,729,000	---	---
Total, Asst. Sec. for Human Development.....	5,890,834,000	6,200,899,000	6,306,715,000	4425,288,000	4115,223,000	49,407,000
(Unauthorized; not considered) by House.....	(75,876,000)	(30,876,000)	DEFER	(41,374,000)	(446,374,000)	(477,250,000)
Total, authorized and unauthorized.....	(5,966,710,000)	(6,231,775,000)	(6,306,715,000)	(4426,662,000)	(4161,597,000)	(486,637,000)

1/ FY 1989 request includes funds for prior year claims.

MAKING APPROPRIATIONS FOR THE DEPARTMENTS OF LABOR, HEALTH
AND HUMAN SERVICES, AND EDUCATION, AND RELATED AGENCIES
FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 1989, AND FOR OTHER
PURPOSES

AUGUST 11, 1988.—Ordered to be printed

Mr. NATCHER, from the committee of conference,
submitted the following

CONFERENCE REPORT

[To accompany H.R. 4783]

The committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H.R. 4783) making appropriations for the Departments of Labor, Health and Human Services, and Education, and Related Agencies for the fiscal year ending September 30, 1989, and for other purposes, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its amendments numbered 11, 16, 21, 26, 27, 34, 35, 52, 54, 56, 76, 81, 83, 86, 111, 122, 123, 128, 132, 133, 135, 136, 138, 139, 150, 169, 207, 211, 221, 229, 230, 234, 237, 239, 241, 251, 252, 253, 254, and 255.

That the House recede from its disagreement to the amendments of the Senate numbered 1, 5, 17, 29, 38, 39, 77, 92, 93, 94, 96, 97, 98, 101, 102, 114, 116, 141, 142, 144, 146, 147, 148, 149, 154, 156, 158, 159, 167, 179, 182, 183, 184, 187, 190, 194, 195, 212, 216, 219, 224, 226, 235, 238, 240, 243, and 247, and agree to the same.

Amendment numbered 2:

That the House recede from its disagreement to the amendment of the Senate numbered 2, and agree to the same with an amendment, as follows:

In lieu of the sum proposed by said amendment insert \$48,906,000; and the Senate agree to the same.

Amendment numbered 3:

That the House recede from its disagreement to the amendment of the Senate numbered 3, and agree to the same with an amendment, as follows:

In lieu of the sum proposed by said amendment insert \$3,709,800,000; and the Senate agree to the same.

Amendment numbered 4:

TITLE II—DEPARTMENT OF HEALTH AND HUMAN SERVICES

HEALTH RESOURCES AND SERVICES ADMINISTRATION

HEALTH RESOURCES AND SERVICES

PROGRAM OPERATIONS

Amendment No. 28: Reported in technical disagreement. The managers on the part of the House will offer a motion to recede and concur in the Senate amendment which inserts legal citations.

Amendment No. 29: Inserts legal citation for the Health Care Quality Improvement Data Bank as proposed by the Senate.

Amendment No. 30: Reported in technical disagreement. The managers on the part of the House will offer a motion to recede and concur in the Senate amendment with an amendment appropriating \$1,632,584,000 instead of \$769,554,000 as proposed by the House and \$1,642,685,000 as proposed by the Senate. The managers on the part of the Senate will move to concur in the amendment of the House to the amendment of the Senate.

The conference agreement includes \$15,000,000 for health care of the homeless authorized by the Stewart B. McKinney Homeless Assistance Act. The conferees acknowledge that the amount agreed to does not necessarily reflect the annual operating level but reflects, together with carryover balances from funds appropriated in Fiscal Year 1987 and Fiscal Year 1988 the amount necessary to maintain current services through Fiscal Year 1989.

The conference agreement also provides \$8,002,000 for National Health Service Corps loan repayments of which not less than \$3,000,000 shall be for nurses including nurse midwives and nurse pediatric practitioners.

The Senate report accompanying this bill identifies obstetrical providers as a high priority both within the National Health Service Corps field and loan repayment activities. This term includes a range of health care professionals, including obstetrician-gynecologists, family practitioners, obstetrical nurse practitioners, pediatric nurse practitioners, and nurse-midwives.

The conference agreement includes \$561,000,000 for the Maternal and Child Health Block Grant. This amount includes increased funds, as proposed by the House, for strengthening and expanding the hemophilia treatment centers program. The conferees also encourage, within these funds, that the Department place special emphasis on outreach programs to educate and improve the prenatal health of expectant mothers.

The conference agreement includes \$140,000,000 for family planning activities. The conferees are agreed that \$136,767,000 of this amount is for program grants and contracts and \$3,233,000 is for program management/program support costs.

The conferees recognize the burden uncompensated care poses to the economic viability of trauma care centers, particularly those located in border states or serving a disproportionately high percentage of undocumented patients. Congress did address this problem in part with the enactment of the Omnibus Reconciliation Act of 1986 and the Immigration Reform and Control Act of 1986. Howev-

er, the conferees agree that this issue warrants increased attention. The conferees urge the Department and the appropriate committees of jurisdiction to give careful consideration to addressing this problem in order to ensure that the critical care provided by trauma care centers continues.

In the Fiscal Year 1987 Supplemental Appropriations Bill, P.L. 100-71, the Congress appropriated \$30 million to insure that those who were medically eligible for azidothymidine (AZT) would not be precluded from receiving the drug simply because they could not afford to pay for it. The funds were included in the bill on an emergency basis with the expectation that the appropriate authorizing committees and the individual states would take further action to address this problem. The Conferees are concerned that the authorizing committees have taken no action, to date, and that there are still some states that do not cover the cost of AZT under their Medicaid Programs. The result is that there will be people who are medically eligible to receive the drug but will not have the funds to pay for it. Therefore, the conferees strongly urge the authorizing committees and the states to act as quickly as possible to establish programs that will insure that the necessary funds be provided to those who need them.

Amendment No. 31: Earmarks \$900,000 for repairs and renovations at the National Hansen's Disease Center instead of \$800,000 as proposed by the House and \$1,000,000 as proposed by the Senate.

Amendment No. 32: Earmarks \$4,000,000 for construction of outpatient and long term care facilities relating to AIDS instead of \$5,000,000 as proposed by the House. The Senate bill did not include funds for this activity.

Amendment No. 33: Reported in technical disagreement. The managers on the part of the House will offer a motion to recede and concur in the amendment of the Senate which earmarks \$20,800,000 for the infant mortality initiative. The House bill contained \$20,000,000 for this purpose but did not earmark funds in the bill.

Amendment No. 34: Restores language proposed by the House but deleted by the Senate which requires that federal occupational health activities be funded on a reimburseable basis.

Deletes language proposed by the Senate which would have allowed certain fees to be credited to this appropriation.

Amendment No. 35: Deletes language proposed by the Senate related to the nursing and HEAL loan programs.

CENTERS FOR DISEASE CONTROL

DISEASE CONTROL, RESEARCH, AND TRAINING

Amendment No. 36: Reported in technical disagreement. The managers on the part of the House will offer a motion to recede and concur in the Senate amendment which inserts legal citations.

Amendment No. 37: Reported in technical disagreement. The managers on the part of the House will offer a motion to recede and concur in the Senate amendment with an amendment which appropriates \$993,830,000 instead of \$819,941,000 as proposed by the House and \$979,357,000 as proposed by the Senate. The manag-

HEALTH CARE FINANCING ADMINISTRATION

GRANTS TO STATES FOR MEDICAID

Amendment No. 93: Appropriates \$26,236,000,000 as proposed by the Senate, instead of \$24,732,589,000 as proposed by the House.

PROGRAM MANAGEMENT

Amendment No. 94: Appropriates \$94,417,000 as proposed by the Senate instead of \$93,817,000 as proposed by the House.

Amendment No. 95: Provides for a limitation on trust funds of \$1,825,219,000 instead of \$1,769,919,000 as proposed by the House and \$1,835,519,000 as proposed by the Senate.

The conference agreement includes \$1,391,000,000 for Medicare claims processing costs. The conferees are agreed that in allocating these funds, first priority should be given to maintaining basic claims processing activities.

The conferees have provided an additional \$2,300,000 for the Medicare state certification program. Of this amount, at least \$600,000 will provide contract support for surveyor training requirements and the remainder will be used to procure laptop computers.

Amendment No. 96: Earmarks \$100,000,000 for the contingency reserve as proposed by the Senate instead of \$212,400,000 as proposed by the House.

Amendment No. 97: Inserts language proposed by the Senate related to the contingency reserve.

Amendment No. 98: Deletes language proposed by the House related to the contingency reserve.

SOCIAL SECURITY ADMINISTRATION

LIMITATION ON ADMINISTRATIVE EXPENSES

Amendment No. 99: Provides for a limitation on trust funds of \$3,795,661,000 instead of \$3,705,000,000 as proposed by the House and \$3,820,000,000 as proposed by the Senate.

Amendment No. 100: Reported in technical disagreement. The managers on the part of the House will move to recede and concur in the amendment of the Senate with an amendment as follows:

In lieu of the matter inserted by said amendment insert the following: *Provided further, That not to exceed \$170,000,000 shall be available for automatic data processing and telecommunication activities*

The managers on the part of the Senate will move to concur in the amendment of the House to the amendment of the Senate.

The conference agreement deletes language proposed by the Senate which would have established a statutory employment floor at the Social Security Administration. The conferees are agreed, however, that the amounts in the bill should be used to support 66,045 full-time equivalent positions in fiscal year 1989. This is 1,000 FTE's more than requested by the President.

The conference agreement adds language not included in either bill which limits the amount of funds to be spent on computers and

The conferees direct the Administration for Native Americans to allocate \$1 million this year to continue the Native Hawaiian demonstration revolving loan program.

It is the intention of the conferees that of the \$6,100,000 provided for adoption opportunities, \$1,000,000 shall be divided equally between two new initiatives: post-legal adoption services and minority placements.

Amendment No. 119: Earmarks \$12,000,000 to carry out the State Dependent Care Development Grants Act instead of \$8,377,000 as proposed by the House and \$8,750,000 as proposed by the Senate.

Deletes language proposed by the Senate making available an additional \$3,250,000 for the State Dependent Care Development Grants Act. The House bill contained no similar provision.

Amendment No. 120: Reported in technical disagreement. The managers on the part of the House will offer a motion to recede and concur in the amendment of the Senate relating to the Comprehensive Child Development Program, which sets aside a funding restriction contained in the authorizing legislation.

PAYMENTS TO STATES FOR FOSTER CARE AND ADOPTION ASSISTANCE

Amendment No. 121: Reported in technical disagreement. The managers on the part of the House will offer a motion to recede and concur in the amendment of the Senate which appropriates \$1,119,907,000 instead of \$1,074,907,000 as proposed by the House.

DEPARTMENTAL MANAGEMENT

GENERAL DEPARTMENTAL MANAGEMENT

Amendment No. 122: Appropriates \$68,160,000 as proposed by the House instead of \$64,860,000 as proposed by the Senate.

Amendment No. 123: Deletes language proposed by the Senate earmarking not to exceed \$350,000 for the establishment of a cancer registry in the metropolitan Cleveland area.

The conferees urge that NIH give every consideration for the establishment of a high quality, population based cancer registry in the Metropolitan Cleveland, Ohio area.

POLICY RESEARCH

Amendment No. 124: Appropriates \$7,946,000 instead of \$8,373,000 as proposed by the House and \$7,519,000 as proposed by the Senate.

Amendment No. 125: Earmarks \$3,000,000 for the Institute for Research on Poverty instead of \$3,500,000 as proposed by the House and \$2,500,000 as proposed by the Senate.

GENERAL PROVISIONS

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Amendment No. 126: Reported in disagreement.

Amendment No. 127: Reported in technical disagreement. The managers on the part of the House will move to recede and concur with the Senate amendment which clarifies language related to

	FY 1988 Comptroller	FY 1989 Budget Request	FY 1989 House Bill	FY 1989 Senate Bill	Conference Initial	Conference Final -1.2%	Conference Final %	House Bill	Senate Bill	Mod Disc
RETIREMENT PAY AND MED. BENEFITS FOR COMM. OFFICERS										
Retirement payments.....	73,703,000	78,495,000	78,495,000	78,495,000	78,495,000	78,495,000	---	---	---	M
Survivors benefits.....	4,467,000	5,136,000	5,136,000	5,136,000	5,136,000	5,136,000	---	---	---	M
Dependant's medical care.....	11,689,000	12,402,000	12,402,000	12,402,000	12,402,000	12,402,000	---	---	---	M
Contingency.....	---	5,000,000	---	---	---	---	---	---	---	M
Military Services Credits.....	---	6,694,000	6,694,000	6,694,000	6,694,000	6,694,000	---	---	---	M
Total, Retirement pay and medical benefits.....	89,859,000	107,687,000	107,687,000	107,687,000	107,687,000	107,687,000	---	---	---	
Total, Public Health Service:										
Authorized activities.....	8,422,247,000	9,080,539,000	9,175,015,000	9,242,379,000	9,279,145,000	9,149,290,000	-5,725,000	-73,089,000		
Unauthorized, not considered by House.....	2,224,024,000	2,129,735,000	DEPR	2,378,342,000	2,386,487,000	2,357,851,000	+2,357,851,000	-20,491,000		
Total, authorized and unauthorized.....	10,646,271,000	11,210,264,000	9,175,015,000	11,620,721,000	11,665,632,000	11,527,141,000	+2,352,126,000	-93,580,000		
HEALTH CARE FINANCING ADMINISTRATION										
GRANTS TO STATES FOR MEDICAID 1/										
Medicaid current law benefits.....	29,204,744,000	31,068,237,000	31,068,237,000	32,707,000,000	32,707,000,000	32,707,000,000	+1,638,763,000	---	---	M
State and local administration.....	1,452,188,000	1,664,352,000	1,664,352,000	1,529,000,000	1,529,000,000	1,529,000,000	-138,352,000	---	---	M
Subtotal, medicare program level, FY 1989.....	30,656,932,000	32,732,589,000	32,732,589,000	34,236,000,000	34,236,000,000	34,236,000,000	+1,503,411,000	---	---	
Less funds advanced in prior year.....	-7,100,000,000	-8,000,000,000	-8,000,000,000	-8,000,000,000	-8,000,000,000	-8,000,000,000	---	---	---	M
Total, current request, FY 1989.....	23,556,932,000	24,732,589,000	24,732,589,000	26,236,000,000	26,236,000,000	26,236,000,000	+1,503,411,000	---	---	
New advance, 1st quarter, FY 1990.....	8,000,000,000	9,000,000,000	9,000,000,000	9,000,000,000	9,000,000,000	9,000,000,000	---	---	---	M

1/ Budget requests related to FY 1990 & FY 1991
biennial budget not considered.

PAYMENTS TO HEALTH CARE TRUST FUNDS 1/

	FY 1988 Comparable	FY 1989 Budget Request	FY 1989 House Bill	FY 1989 Senate Bill	Conference Initial	Conference Final -1.28	Conference Final vs House Bill	Senate Bill	Hand Disc
Supplemental medical insurance.....	25,418,000,000	31,585,000,000	30,712,000,000	30,712,000,000	30,712,000,000	30,712,000,000	---	---	M
Hospital insurance for uninsured.....	461,000,000	493,000,000	493,000,000	493,000,000	493,000,000	493,000,000	---	---	M
Federal uninsured payment.....	14,000,000	22,000,000	22,000,000	22,000,000	22,000,000	22,000,000	---	---	M
Total, Payment to Trust Funds.....	25,893,000,000	32,100,000,000	31,227,000,000	31,227,000,000	31,227,000,000	31,227,000,000	---	---	---

PROGRAM MANAGEMENT

Research, demonstration, and evaluation:									
Federal funds.....	9,574,000	11,429,000	10,000,000	10,000,000	10,000,000	9,880,000	-120,000	-120,000	D
Trust funds.....	(17,233,000)	(20,571,000)	(20,000,000)	(22,000,000)	(20,000,000)	(19,750,000)	(-240,000)	(-2,240,000)	TF
Subtotal, research, demonstration, & evaluation.....	26,807,000	32,000,000	30,000,000	32,000,000	30,000,000	29,640,000	-360,000	-2,360,000	
Rural hospital transition demonstration, trust funds.....	---	---	(3,000,000)	(15,000,000)	(9,000,000)	(8,892,000)	(+5,892,000)	(-6,108,000)	TF
Medicare Contractors (Trust Funds):									
Operating funds, current 2/.....	(1,126,546,000)	(1,391,000,000)	(1,291,000,000)	(1,291,000,000)	(1,291,000,000)	(1,275,508,000)	(-15,492,000)	(-15,492,000)	TF
Contingency fund, general.....	(57,444,000)	---	(100,000,000)	(100,000,000)	(100,000,000)	(98,800,000)	(-1,200,000)	(-1,200,000)	TF
Subtotal, contingency.....	(57,444,000)	---	(100,000,000)	(100,000,000)	(100,000,000)	(98,800,000)	(-1,200,000)	(-1,200,000)	
Subtotal, Contractors.....	(1,183,990,000)	(1,391,000,000)	(1,391,000,000)	(1,391,000,000)	(1,391,000,000)	(1,374,308,000)	(-16,692,000)	(-16,692,000)	TF
Less P.L. 99-272 funds (CDBA).....	(-105,000,000)	---	---	---	---	---	---	---	
Catastrophic insurance, administrative costs 2/.....	(47,870,000)	(112,400,000)	(112,400,000)	(160,000,000)	(160,000,000)	(156,080,000)	(+45,680,000)	(-1,920,000)	TF

1/ Budget requests related to FY 1990 & FY 1991 biennial budget not considered.

2/ Proposed for later transmittal in Pres. Budget.

	FY 1988 Comparable	FY 1989 Budget Request	FY 1989 House Bill	FY 1989 Senate Bill	Conference Initial	Conference Final -1.28	Conference Final vs House Bill	Senate Bill	Hand Disc
State Certification:									
Medicare certification, trust funds.....	(57,932,000)	(62,235,000)	(62,235,000)	(66,235,000)	(63,935,000)	(63,168,000)	(+933,000)	(-3,067,000)	TF
General program support, federal funds.....	7,937,000	3,624,000	3,624,000	4,224,000	4,224,000	4,173,000	+549,000	-51,000	D
Subtotal, State certification.....	(65,895,000)	(65,859,000)	(65,859,000)	(70,459,000)	(68,159,000)	(67,341,000)	(+1,482,000)	(-3,118,000)	
Federal Administration:									
Federal funds.....	82,257,000	81,750,000	81,750,000	81,750,000	81,750,000	80,769,000	-981,000	-981,000	D
Less user fees.....	-1,557,000	-1,557,000	-1,557,000	-1,557,000	-1,557,000	-1,538,000	+19,000	+19,000	D
Trust funds.....	(171,570,000)	(189,350,000)	(181,284,000)	(181,284,000)	(181,284,000)	(179,109,000)	(-2,175,000)	(-2,175,000)	TF
Subtotal, Federal Administration.....	252,270,000	269,543,000	261,477,000	261,477,000	261,477,000	258,340,000	-3,137,000	-3,137,000	
Total, Program management.....	1,471,796,000	1,870,802,000	1,863,736,000	1,929,936,000	1,919,636,000	1,896,501,000	+32,865,000	-33,335,000	
Federal funds.....	98,211,000	95,246,000	93,817,000	94,417,000	94,417,000	93,284,000	+933,000	-1,133,000	
Trust funds.....	(1,373,585,000)	(1,775,556,000)	(1,769,919,000)	(1,835,519,000)	(1,825,219,000)	(1,803,217,000)	(+33,398,000)	(-32,202,000)	
Total, Health Care Financing Administration:									
Federal funds.....	57,548,143,000	65,937,835,000	65,053,406,000	66,557,417,000	66,557,417,000	66,556,284,000	+1,502,878,000	-1,133,000	
Current year, FY 1989.....	(49,548,143,000)	(56,937,835,000)	(56,053,406,000)	(57,557,417,000)	(57,557,417,000)	(57,556,284,000)	(+1,502,878,000)	(-1,133,000)	
New advance, 1st quarter, FY 1990.....	(8,000,000,000)	(9,000,000,000)	(9,000,000,000)	(9,000,000,000)	(9,000,000,000)	(9,000,000,000)	---	---	
Trust funds.....	(1,373,585,000)	(1,775,556,000)	(1,769,919,000)	(1,835,519,000)	(1,825,219,000)	(1,803,217,000)	(+33,398,000)	(-32,202,000)	

SOCIAL SECURITY ADMINISTRATION

PAYMENTS TO SOCIAL SECURITY TRUST FUNDS 1/.....

SPECIAL BENEFITS FOR DISABLED COAL MINERS 1/.....

Benefit payments.....

Administration.....

Subtotal, Black Lung, FY 1989 program level.....

Less funds advanced in prior year.....

Total, Black Lung, current request, FY 1989.....

New advance, 1st quarter, FY 1990.....

SUPPLEMENTAL SECURITY INCOME 1/

Federal benefit payments.....

Beneficiary services.....

Research demonstration.....

Administration.....

FY 1986 & 1987 shortfall, federal administrative costs.....

Subtotal, SSI FY 1989 program level.....

Less funds advanced in prior year.....

Total, SSI, current request, FY 1989.....

New advance, 1st quarter, FY 1990.....

LIMITATION ON ADMINISTRATIVE EXPENSES (Trust Funds).....

Contingency reserve (non-add).....

Total, Social Security Administration:

Federal funds.....

Current year FY 1989.....

New advances, 1st quarter FY 1990.....

Trust funds.....

1/ Budget request related to FY 1990 & FY 1991

biennial budget not considered.

	FY 1988 Comparable	FY 1989 Budget Request	FY 1989 House Bill	FY 1989 Senate Bill	Conference Initial	Conference Final -1.2%	Conference Final vs Senate Bill	Hand Disc
105,298,000	93,631,000	93,631,000	93,631,000	93,631,000	93,631,000	93,631,000	---	M
909,416,000	871,901,000	871,901,000	871,901,000	871,901,000	871,901,000	871,901,000	---	M
6,486,000	6,680,000	6,680,000	6,680,000	6,680,000	6,680,000	6,680,000	---	M
915,902,000	878,581,000	878,581,000	878,581,000	878,581,000	878,581,000	878,581,000	---	---
-232,450,000	-250,000,000	-250,000,000	-250,000,000	-250,000,000	-250,000,000	-250,000,000	---	M
643,452,000	628,581,000	628,581,000	628,581,000	628,581,000	628,581,000	628,581,000	---	---
250,000,000	211,000,000	211,000,000	211,000,000	211,000,000	211,000,000	211,000,000	---	M
11,378,956,000	11,368,000,000	11,368,000,000	11,368,000,000	11,368,000,000	11,368,000,000	11,368,000,000	---	M
12,474,000	13,547,000	13,547,000	13,547,000	13,547,000	13,547,000	13,547,000	---	M
275,000	2,275,000	2,275,000	2,275,000	2,275,000	2,275,000	2,275,000	---	M
1,080,184,000	1,090,131,000	1,090,131,000	1,090,131,000	1,090,131,000	1,090,131,000	1,090,131,000	---	M
99,451,000	---	---	---	---	---	---	---	M
12,571,340,000	12,473,953,000	12,473,953,000	12,473,953,000	12,473,953,000	12,473,953,000	12,473,953,000	---	---
-2,765,000,000	-3,000,000,000	-3,000,000,000	-3,000,000,000	-3,000,000,000	-3,000,000,000	-3,000,000,000	---	M
9,806,340,000	9,473,953,000	9,473,953,000	9,473,953,000	9,473,953,000	9,473,953,000	9,473,953,000	---	---
3,000,000,000	2,936,000,000	2,936,000,000	2,936,000,000	2,936,000,000	2,936,000,000	2,936,000,000	---	M
(3,524,114,000)	(3,775,661,000)	(3,705,000,000)	(3,820,000,000)	(3,795,661,000)	(3,750,113,000)	(445,113,000)	(-69,887,000)	TF
(47,870,000)	(47,870,000)	(47,870,000)	(47,870,000)	(47,870,000)	(47,870,000)	(47,870,000)	---	---
13,825,090,000	13,343,165,000	13,343,165,000	13,343,165,000	13,343,165,000	13,343,165,000	13,343,165,000	---	---
(10,575,090,000)	(10,196,165,000)	(10,196,165,000)	(10,196,165,000)	(10,196,165,000)	(10,196,165,000)	(10,196,165,000)	---	---
(3,250,000,000)	(3,147,000,000)	(3,147,000,000)	(3,147,000,000)	(3,147,000,000)	(3,147,000,000)	(3,147,000,000)	---	---
(3,524,114,000)	(3,775,661,000)	(3,705,000,000)	(3,820,000,000)	(3,795,661,000)	(3,750,113,000)	(445,113,000)	(-69,887,000)	---

FAMILY SUPPORT ADMINISTRATION

FAMILY SUPPORT PAYMENTS TO STATES 3/

	FY 1988 Comparable	FY 1989 Budget Request	FY 1989 House Bill	FY 1989 Senate Bill	Initial	Conference Final -1.2%	Conference Final vs House Bill	Senate Bill	Hand Disc
Aid to Families with Dependent Children (AFDC) 2/.....	9,624,132,000	8,618,569,000	8,618,569,000	8,967,769,000	8,967,769,000	8,967,769,000	+349,200,000	---	M
Payments to territories.....	13,368,000	13,368,000	13,368,000	13,368,000	13,368,000	13,368,000	---	---	M
Emergency assistance and repatriation.....	100,000,000	124,000,000	124,000,000	124,000,000	124,000,000	124,000,000	---	---	M
State and local welfare administration.....	1,045,500,000	1,186,200,000	1,186,200,000	1,186,200,000	1,186,200,000	1,186,200,000	---	---	M
Legislative savings (proposed for later transmittal):									
Recipient training.....	---	505,000,000	DEFER	---	---	---	---	---	M
Offsetting savings.....	---	-137,000,000	DEFER	---	---	---	---	---	M
Subtotal, legislation 1/.....	---	368,000,000	DEFER	---	---	---	---	---	
Subtotal, welfare payments.....	10,783,000,000	10,310,137,000	9,942,137,000	10,291,337,000	10,291,337,000	10,291,337,000	+349,200,000	---	
Child Support Enforcement:									
State and local administration.....	772,000,000	900,000,000	900,000,000	900,000,000	900,000,000	900,000,000	---	---	M
Federal incentive payments.....	216,000,000	270,000,000	270,000,000	270,000,000	270,000,000	270,000,000	---	---	M
Less federal share collections.....	-646,000,000	-737,000,000	-737,000,000	-737,000,000	-737,000,000	-737,000,000	---	---	M
Subtotal, Child support.....	342,000,000	433,000,000	433,000,000	433,000,000	433,000,000	433,000,000	---	---	
Total, Payments, FY 1989 program level.....	11,125,000,000	10,723,137,000	10,355,137,000	10,704,337,000	10,704,337,000	10,704,337,000	+349,200,000	---	
Less funds advanced in previous years.....	-2,480,615,000	-2,500,000,000	-2,500,000,000	-2,500,000,000	-2,500,000,000	-2,500,000,000	---	---	M
Total, Payments, current request, FY 1989.....	8,644,385,000	8,223,137,000	7,855,137,000	8,204,337,000	8,204,337,000	8,204,337,000	+349,000,000	---	
New advance, 1st quarter, FY 1990.....	2,500,000,000	2,644,000,000	2,644,000,000	2,700,000,000	2,700,000,000	2,700,000,000	+56,000,000	---	M

1/ President's budget treats as discretionary.

2/ President's budget assumes \$349.2 savings from quality control.

3/ Budget request related to FY 1990 & FY 1991 biennial budget not considered.

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PSBOPPO CONFERENCE AGREEMENT: H.R. 4783 - FY 1989 APPROPRIATIONS FOR THE DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES, EDUCATION AND RELATED AGENCIES 17:47 9/11/88 PAGE 31

LOW INCOME HOME ENERGY ASSISTANCE

	FY 1988 Comparable	FY 1989 Budget Request	FY 1989 House Bill	FY 1989 Senate Bill	Initial	Conference	Final	House Bill	Senate Bill	Head Diac
Energy Assistance Block Grant.....	1,531,840,000	1,187,000,000	1,567,000,000	1,187,000,000	1,400,000,000	1,383,200,000	1,383,200,000	-183,800,000	+196,200,000	D

REFUGEE AND ENTRANT ASSISTANCE

Cash and medical assistance 1/.....	233,274,000	203,758,000	DEFER	283,000,000	265,000,000	261,820,000	261,820,000	+261,820,000	-21,180,000	D
Social services.....	65,694,000	30,000,000	DEFER	67,000,000	65,694,000	64,906,000	64,906,000	+64,906,000	-2,094,000	D
Voluntary agency program.....	7,659,000	7,659,000	DEFER	8,000,000	16,000,000	15,808,000	15,808,000	+15,808,000	+7,808,000	D
Preventive health.....	5,840,000	3,000,000	DEFER	6,000,000	5,840,000	5,770,000	5,770,000	+5,770,000	-230,000	D
Targeted assistance.....	34,466,000	34,466,000	DEFER	36,000,000	34,466,000	34,052,000	34,052,000	+34,052,000	-1,948,000	D

Total, Refugee Resettlement, unauthorized, not
considered by House.....

WORK INCENTIVES

Grants to States.....	92,551,000	---	DEFER	92,551,000	92,551,000	91,440,000	91,440,000	+91,440,000	-1,111,000	D
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1/ Includes State administrative costs.

COMMUNITY SERVICES BLOCK GRANT

	FY 1988 Comparable	FY 1989 Budget Request	FY 1989 House Bill	FY 1989 Senate Bill	Conference Initial	Conference Final -1.2%	Conference House Bill	Conference Final vs Senate Bill	Mand Diac
Grants to States for Community Services.....	325,516,000	282,100,000	315,000,000	325,516,000	322,500,000	318,630,000	+3,630,000	-6,886,000	D
Grants to States for services to the homeless 1/.....	19,148,000	---	DEPR	19,148,000	19,148,000	18,918,000	+18,918,000	-230,000	D
Discretionary funds:									
Consolidated request.....	---	27,900,000	---	---	---	---	---	---	D
Community economic development.....	18,909,000	---	20,000,000	21,000,000	20,500,000	20,254,000	+254,000	-746,000	D
Rural housing.....	3,925,000	---	3,925,000	4,200,000	4,062,000	4,013,000	+488,000	-187,000	D
Farmerworker assistance.....	2,968,000	---	2,968,000	3,000,000	2,984,000	2,948,000	-20,000	-52,000	D
National youth sports.....	6,319,000	---	7,000,000	6,500,000	6,750,000	6,669,000	-331,000	+169,000	D
Technical assistance.....	239,000	---	239,000	---	239,000	236,000	-3,000	+236,000	D
Subtotal, discretionary funds.....	32,360,000	27,900,000	34,132,000	34,700,000	34,535,000	34,120,000	-12,000	-580,000	
Community Partnerships.....	2,872,000	---	2,872,000	4,000,000	3,555,000	3,512,000	+640,000	-488,000	D
Community Food and Nutrition.....	2,394,000	---	2,394,000	2,500,000	2,447,000	2,418,000	+24,000	-82,000	D
Total, Community services, authorized.....	363,142,000	310,000,000	354,398,000	366,716,000	363,037,000	358,680,000	+4,282,000	-8,036,000	
Unauthorized, not considered by House.....	19,148,000	---	DEPR	19,148,000	19,148,000	18,918,000	+18,918,000	-230,000	
Total, authorized and unauthorized.....	382,290,000	310,000,000	354,398,000	385,864,000	382,185,000	377,598,000	+23,200,000	-8,266,000	
PROGRAM ADMINISTRATION									
Federal Administration.....	79,464,000	79,533,000	79,533,000	82,464,000	82,464,000	81,474,000	+1,941,000	-990,000	D
Total, Family Support Administration.....	13,118,831,000	12,075,670,000	12,500,068,000	12,540,517,000	12,749,838,000	12,727,691,000	+227,623,000	-187,174,000	
Warrior's year 1988.....	(10,518,831,000)	(9,431,670,000)	(9,856,068,000)	(9,840,517,000)	(10,049,838,000)	(10,027,691,000)	(+171,623,000)	(+187,174,000)	
New advances, 1st quarter, FY 1990.....	(12,500,000,000)	(2,644,000,000)	(2,644,000,000)	(2,700,000,000)	(2,700,000,000)	(2,700,000,000)	(+56,000,000)	---	
Unauthorized, not considered by House.....	458,632,000	646,883,000	DEPR	511,699,000	498,699,000	492,714,000	+482,714,000	-18,985,000	
Total, authorized and unauthorized.....	13,577,463,000	12,722,553,000	12,500,068,000	13,052,216,000	13,248,537,000	13,220,405,000	+720,337,000	+168,189,000	

1/ Senate bill includes homeless in Grants to States.

CONFERENCE AGREEMENT: H.R. 4783 - FY 1989 APPROPRIATIONS FOR THE DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES, EDUCATION AND RELATED AGENCIES

	FY 1988 Comparable	FY 1989 Budget Request	FY 1989 House Bill	FY 1989 Senate Bill	Conference		Conference Final vs House Bill	Conference Final vs Senate Bill	Hand Discrepancy
					Initial	Final -1.2%			
ASSISTANT SECRETARY FOR HUMAN DEVELOPMENT SERVICES									
SOCIAL SERVICES BLOCK GRANT (TITLE IX).....	2,700,000,000	2,700,000,000	2,700,000,000	2,700,000,000	2,700,000,000	2,700,000,000	---	---	M
HUMAN DEVELOPMENT SERVICES									
Programs for Children, Youth, and Families:									
Head start.....	1,206,324,000	1,206,324,000	1,250,000,000	1,250,000,000	1,250,000,000	1,235,000,000	-15,000,000	-15,000,000	D
Comprehensive child development centers.....	---	---	20,000,000	20,000,000	20,000,000	19,760,000	-240,000	-240,000	D
Child abuse:									
State grants.....	11,489,000	11,489,000	12,000,000	12,000,000	12,000,000	11,856,000	-144,000	-144,000	D
Discretionary activities.....	13,306,000	13,306,000	13,306,000	13,898,000	13,602,000	13,439,000	+163,000	+163,000	D
Challenge grants.....	4,787,000	4,787,000	4,787,000	5,000,000	4,893,000	4,834,000	+59,000	+59,000	D
Subtotal, child abuse.....	29,582,000	29,582,000	30,093,000	30,898,000	30,495,000	30,129,000	+36,000	+36,000	
Child development associate scholarships.....	1,436,000	1,436,000	1,436,000	1,500,000	1,468,000	1,450,000	+18,000	+18,000	D
Runaway youth.....	26,089,000	26,089,000	DEFER	27,250,000	27,250,000	26,923,000	+327,000	+327,000	D
Dependent Care Planning and Development.....	8,377,000	8,377,000	8,377,000	12,000,000	12,000,000	11,856,000	+144,000	+144,000	D
Family violence.....	8,138,000	8,138,000	8,138,000	8,500,000	8,319,000	8,219,000	+90,000	+90,000	D
Temporary childcare/crisis nurseries.....	4,787,000	4,787,000	DEFER	5,000,000	5,000,000	4,940,000	+60,000	+60,000	D
Child welfare assistance.....	239,350,000	239,350,000	249,350,000	250,000,000	249,675,000	246,679,000	+2,996,000	+2,996,000	D
Child welfare training.....	3,660,000	3,660,000	3,660,000	3,823,000	3,741,000	3,696,000	+45,000	+45,000	D
Adoption opportunities.....	4,787,000	4,787,000	4,787,000	7,000,000	6,100,000	6,027,000	+73,000	+73,000	D
Child welfare research.....	10,857,000	10,857,000	10,857,000	11,340,000	11,098,000	10,965,000	+133,000	+133,000	D
Subtotal, Children, Youth & Families.....	1,512,311,000	1,512,311,000	1,586,698,000	1,595,061,000	1,592,896,000	1,573,781,000	+19,115,000	+19,115,000	
Unauthorized, not considered by House.....	30,876,000	30,876,000	DEFER	32,250,000	32,250,000	31,863,000	+387,000	+387,000	

	FY 1988 Comptroller	FY 1989 Budget Request	FY 1989 House Bill	FY 1989 Senate Bill	Conference Initial	Conference Final -1.2%	Conference House Bill	Conference Senate Bill	Final vs Senate Bill	Final vs House Bill
Programs for the Aging:										
Grants to States:										
Supportive Services and Centers.....	268,072,000	268,072,000	278,000,000	280,000,000	279,000,000	275,652,000	-2,348,000	-4,348,000	D	
Ombudsman activities.....	957,000	957,000	957,000	1,000,000	1,000,000	988,000	+31,000	-12,000	D	
Nutrition:										
Congregate meals.....	344,664,000	344,664,000	362,000,000	380,000,000	361,000,000	356,668,000	-5,332,000	-3,332,000	D	
Home-delivered meals.....	75,635,000	75,635,000	80,000,000	79,000,000	79,500,000	78,546,000	-1,454,000	-454,000	D	
Research, training, end special projects.....	23,935,000	23,935,000	23,935,000	25,000,000	24,467,000	24,173,000	+238,000	-827,000	D	
Federal Council on Aging.....	191,000	180,000	180,000	200,000	190,000	188,000	+8,000	-12,000	D	
Grants to Indiana.....	7,181,000	7,181,000	7,181,000	7,500,000	7,500,000	7,418,000	+229,000	-90,000	D	
Pre-elderly in-home services.....	4,787,000	4,787,000	4,787,000	5,000,000	4,893,000	4,834,000	+47,000	-166,000	D	
Subtotal, Aging programs.....	725,422,000	725,411,000	757,040,000	757,700,000	757,550,000	748,459,000	-8,581,000	-9,241,000		
Developmental disabilities program:										
State grants.....	56,401,000	56,401,000	56,401,000	61,000,000	60,500,000	59,774,000	+1,373,000	-1,226,000	D	
Protection and advocacy.....	19,148,000	19,148,000	19,148,000	20,000,000	20,000,000	19,760,000	+612,000	-240,000	D	
Developmental disabilities special projects.....	2,872,000	2,872,000	2,872,000	3,000,000	2,936,000	2,901,000	+29,000	-99,000	D	
University affiliated facilities.....	12,440,000	12,446,000	12,446,000	13,000,000	12,723,000	12,576,000	+124,000	-430,000	D	
Subtotal, Developmental disabilities.....	92,867,000	92,867,000	92,867,000	97,000,000	96,159,000	95,005,000	+2,138,000	-1,995,000	D	
Native American Programs.....	29,679,000	29,679,000	29,679,000	31,000,000	30,339,000	29,975,000	+296,000	-1,025,000	D	
Human services research, training & demonstration: New consolidated request (non-add).....	(76,650,000)	(76,650,000)								
Program direction.....	64,177,000	65,524,000	65,524,000	65,704,000	65,614,000	64,827,000	-687,000	-877,000	D	
Total, Human Development Services, authorized.....	2,424,656,000	2,425,992,000	2,531,806,000	2,546,465,000	2,542,558,000	2,512,047,000	-19,761,000	-34,418,000		
Unauthorized, not considered by House.....	30,876,000	30,876,000		DEFER	32,250,000	31,863,000	+31,863,000	-387,000		
Total, authorized and unauthorized.....	2,455,532,000	2,456,868,000	2,531,806,000	2,578,715,000	2,574,808,000	2,543,910,000	+12,102,000	-34,805,000		

MSPOC CONFERENCE AGREEMENT: H.R. 4783 - FY 1989 APPROPRIATIONS FOR THE DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES, EDUCATION AND RELATED AGENCIES 17:47 8/11/88 PAGE 35

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MSPOC

FAMILY SOCIAL SERVICES

	FY 1988 Comparable	FY 1989 Budget Request	FY 1989 House Bill	FY 1989 Senate Bill	Conference Initial	Conference Final -1.28	Conference Final vs House Bill	Senate Bill	House Bill	Diff
Foster care 1/.....	658,178,000	940,971,000	940,971,000	940,971,000	940,971,000	940,971,000	---	---	---	---
Adoption assistance 1/.....	108,000,000	133,936,000	133,936,000	133,936,000	133,936,000	133,936,000	---	---	---	---
Independent living.....	45,000,000	---	DEPER	45,000,000	45,000,000	45,000,000	---	---	---	---
Total, Family Social Services, authorized and unauthorized.....	811,178,000	1,074,907,000	1,074,907,000	1,119,907,000	1,119,907,000	1,119,907,000	---	---	---	---
Total, Asst. Sec. for Human Development.....	5,890,834,000	6,200,899,000	6,306,715,000	6,321,372,000	6,317,465,000	6,286,994,000	---	---	---	---
Unauthorized, not considered by House.....	75,876,000	30,876,000	DEPER	77,250,000	77,250,000	76,863,000	---	---	---	---
Total, authorized and unauthorized.....	5,966,710,000	6,231,775,000	6,306,715,000	6,398,622,000	6,394,715,000	6,363,817,000	---	---	---	---

1/ FY 1989 request includes funds for prior year
claims.

Finder's Aid
P.L. 100-485 (102 Stat. 2343) Approved October 13, 1988
"Family Support Act of 1988"

<u>Subject</u>	<u>S. S. Act Section</u>	<u>P. L. Section</u>	<u>102 Stat.</u>	<u>H. Rep. 100-159 Part 1</u>	<u>H. Rep. 100-159 Part 2</u>	<u>H. Rep. 100-159 Part 3</u>	<u>S. Rep. 100-377</u>	<u>H. C. Rep. 100-998</u>
Use of Social Security Number to Establish Identity of Parents (technical amendment)	205(c)(2)(C)(i) Redesignated as 205(c)(2)(C)(i)(I)	125(a)(1)(A)	2353	--	--	--	22-23, 105	12, 107-108
Use of Social Security Number to Establish Identity of Parents	205(c)(2)(C)(i)(II) New	125(a)(1)(B)	2353	--	--	--	22-23, 106	12-13, 107-108
Use of Social Security Number to Establish Identity of Parents (conforming amendment)	205(c)(2)(C)(ii)	125(a)(2)(A)	2354	--	--	--	22-23, 106	13, 107-108
Use of Social Security Number to Establish Identity of Parents	205(c)(2)(C)(ii)	125(a)(2)(B)	2354	--	--	--	22-23, 106	13, 107-108
Entitlement to Hospital Insurance Benefits	226(a)	608(f)(5)	2424	--	--	--	--	85, 196
State Requirement to Assist Secretary in Obtaining Information	303(h) New	124(b)(1)	2353	--	--	--	106-107	11-12
State Requirement to Assist Secretary in Obtaining Information (conforming amendment)	304(a)(2)	124(b)(2)	2353	--	--	--	107	12

<u>Subject</u>	<u>S.S. Act Section</u>	<u>P.L. Section</u>	<u>102 Stat.</u>	<u>H. Rep. 100-159 Part 1</u>	<u>H. Rep. 100-159 Part 2</u>	<u>H. Rep. 100-159 Part 3</u>	<u>S. Rep. 100-377</u>	<u>H.C.Rep. 100-998</u>
AFDC--Standard Earned Income Disregard Increased	402(a)(8)(A) (ii)	402(b)	2397	--	--	--	--	56, 176-179
AFDC--Changes in Earned Income Disregards	402(a)(8)(A) (iii)	402(a)(1)	2397	70	--	--	--	56, 176-179
AFDC--Changes in Earned Income Disregards	402(a)(8)(A) (iii)	402(a)(2)	2397	70	--	--	--	56, 176-179
AFDC--Changes in Earned Income Disregards	402(a)(8)(A) (iii)	402(a)(3)	2397	70	--	--	--	56, 176-179
AFDC--State Plans for Aid and Services to Needy Families with Children (conforming amendment)	402(a)(8)(A) (iv)	202(b)(1)	2377	--	--	--	108	36, 108-159
AFDC--Disregard Applicable to Timely Child Support Payments	402(a)(8)(A) (vi)	102(a)	2346	--	--	--	17, 108-109	4, 98
AFDC--Disregard of Advance Payments or Refund of Earned Income Tax Credits (technical amendment)	402(a)(8)(A) (vi)	402(c)(1)(A)	2397	--	--	--	--	57, 176-179
AFDC--Disregard of Advance Payments or Refund of Earned Income Tax Credits	402(a)(8)(A) (viii) New	402(c)(1)(B)	2397	--	--	--	--	57, 176-179
AFDC--State Plans for Aid and Services to Needy Families with Children (conforming amendment)	402(a)(9)(A)	202(b)(2)(A)	2377	--	--	--	--	36, 108-159

<u>Subject</u>	<u>S.S. Act Section</u>	<u>P.L. Section</u>	<u>102 Stat.</u>	<u>H. Rep. 100-159 Part 1</u>	<u>H. Rep. 100-159 Part 2</u>	<u>H. Rep. 100-159 Part 3</u>	<u>S. Rep. 100-377</u>	<u>H.C.Rep. 100-998</u>
AFDC--State Plans for Aid and Services to Needy Families with Children (conforming amendment)	402(a)(9)(A)	202(b)(2)(B)	2377	110	--	--	109	37, 108-159
AFDC--Job Opportunities and Basic Skills Training Program	402(a)(19)	201(a)	2356	--	--	--	--	13-19, 108-159
AFDC--State Flexibility in Structuring Two- Parent Family Program	402(a)(19) (B)(1)(II)	401(b)(2)	2395	--	--	--	--	54, 179-181
AFDC--Disregard of Advanced Payments on Refund of Earned Income Tax Credit	402(a)(30)	402(c)(2)(B)	2397	--	--	--	--	--
AFDC--State Plans for Aid and Services to Needy Families with Children	402(a)(35) Repealed	202(b)(3)	2377	115-116	17	--	113-114	37, 108-159
AFDC--State Plans for Aid and Services to Needy Families with Children (conforming amendment)	402(a)(37)	303(b)(3)	2392	71	--	--	--	--
AFDC--Benefits for Two-Parent Families	402(a)(38) (B)	401(a)(2)(A)	2393	--	--	--	114	53, 179-181
AFDC--Benefits for Two-Parent Families (technical amendment)	402(a)(39)	401(a)(1)(A)	2393	--	--	--	--	53, 179-181

<u>Subject</u>	<u>S.S. Act Section</u>	<u>P.L. Section</u>	<u>102 Stat.</u>	<u>H. Rep. 100-159 Part 1</u>	<u>H. Rep. 100-159 Part 2</u>	<u>H. Rep. 100-159 Part 3</u>	<u>S. Rep. 100-377</u>	<u>H.C.Rep- 100-998</u>
AFDC--Benefits for Two-Parent Families (technical amendment)	402(a)(40)	401(a)(1)(B)	2393	--	--	--	--	53, 179-181
AFDC--Benefits for Two-Parent Families (technical amendment)	402(a)(40)	401(f)(1)	2396	--	--	--	--	56, 179-181
AFDC--Benefits for Two-Parent Families	402(a)(41) New	401(a)(1)(C)	2393	--	--	--	--	53, 179-181
AFDC--Benefits for Two-Parent Families (technical amendment)	402(a)(41)	401(f)(2)	2396	--	--	--	--	56, 179-181
AFDC--Households Headed by Minor Parents (technical amendment)	402(a)(41)	403(a)(1)	2397	49, 77	--	--	6, 45-46	57, 181-183
AFDC--Benefits for Two-Parent Families	402(a)(42) New	401(f)(3)	2396	--	--	--	--	56, 179-181
AFDC--Households Headed by Minor Parents (technical amendment)	402(a)(42)	403(a)(2)	2397	49, 77	--	--	6, 45-46	57, 181-183
AFDC-- Responsibilities of the State (technical amendment)	402(a)(42)	604(a)(1)	2409	--	--	--	--	69, 176-179
AFDC--Households Headed by Minor Parents	402(a)(43) New	403(a)(3)	2397	49, 77	--	--	6	57-58, 181-183
AFDC-- Responsibilities of the State (technical amendment)	402(a)(43)	604(a)(2)	2409	--	--	--	60-61	69, 176-179

<u>Subject</u>	<u>S.S. Act Section</u>	<u>P.L. Section</u>	<u>102 Stat.</u>	<u>H. Rep. 100-159 Part 1</u>	<u>H. Rep. 100-159 Part 2</u>	<u>H. Rep. 100-159 Part 3</u>	<u>S. Rep. 100-377</u>	<u>H.C.Rep. 100-998</u>
AFDC-- Establishment of Preeligibility Fraud Detection Measures (technical amendment)	402(a)(43)	605(a)(1)	2409	--	--	--	61	69, 195-196
AFDC-- Responsibilities of the State	402(a)(44) New	604(a)(3)	2409	--	--	--	60-61	69, 176-179
AFDC-- Establishment of Preeligibility Fraud Detection Measures (technical amendment)	402(a)(44)	605(a)(2)	2409	--	--	--	61	69, 176-179
AFDC-- Establishment of Preeligibility Fraud Detection Measures	402(a)(45) New	605(a)(3)	2409	--	--	--	61, 116	69, 176-179
AFDC--Changes in Earned Income Disregards	402(d) Repealed	402(c)(2)(A)	2397	19, 69-70, 117-118	--	--	--	--
AFDC--Automated Tracking and Monitoring Systems (conforming amendment)	402(e)	123(d)	2353	--	--	--	21-22, 116-117	11, 99-100
AFDC--Child Care During Participation in Employment, Education, and Training	402(g) New	301	2382	--	--	--	--	41-43, 159-169
AFDC--Extended Eligibility for Child Care (technical amendment)	402(g)(1)(A) Redesignated as 402(g)(1) (A)(1)	302(a)(1)	2383	--	--	--	41-42	43, 159-169

<u>Subject</u>	<u>S.S. Act Section</u>	<u>P.L. Section</u>	<u>102 Stat.</u>	<u>H. Rep. 100-159 Part 1</u>	<u>H. Rep. 100-159 Part 2</u>	<u>H. Rep. 100-159 Part 3</u>	<u>S. Rep. 100-377</u>	<u>H.C.Rep. 100-998</u>
AFDC--Extended Eligibility for Child Care (technical amendment)	402(g)(1)(A) (i) Redesignated as 402(g)(1)(A) (i)(I)	302(a)(2)	2384	--	--	--	41-42	43, 159-169
AFDC--Extended Eligibility for Child Care (technical amendment)	402(g)(1)(A) (ii) Redesignated as 402(g)(1)(A) (i)(II)	302(a)(2)	2384	--	--	--	41-42	43, 159-169
AFDC--Extended Eligibility for Child Care	402(g)(1)(A) (ii) New	302(a)(3)	2384	--	--	--	41-42	43, 159-169
AFDC--Extended Eligibility for Child Care	402(g)(1)(A) (iii) New	302(c)	2384	--	--	--	41-42	44, 159-169
AFDC--Extended Eligibility for Child Care	402(g)(1)(A) (iv) New	302(c)	2384	--	--	--	41-42	44, 159-169
AFDC--Extended Eligibility for Child Care	402(g)(1)(A) (v) New	302(c)	2384	--	--	--	41-42	44, 159-169
AFDC--Extended Eligibility for Child Care	402(g)(1)(A) (vi) New	302(c)	2384	--	--	--	41-42	44, 159-169
AFDC--Extended Eligibility for Child Care	402(g)(1)(A) (vii) New	302(c)	2384	--	--	--	41-42	44, 159-169
AFDC--Extended Eligibility for Child Care	402(g)(3)(A) Redesignated as 402(g)(3) (A)(i)	302(b)(1)(A)	2384	--	--	--	41-42	43, 159-169
AFDC--Extended Eligibility for Child Care	402(g)(3)(A) (ii) New	302(b)(1)(B)	2384	--	--	--	41-42	43-44, 159-169
AFDC--Periodic Reevaluation of Need and Payment Standards	402(h) New	404(a)	2398	78	--	--	49, 118-119	58, 183-184

<u>Subject</u>	<u>S.S. Act Section</u>	<u>P.L. Section</u>	<u>102 Stat.</u>	<u>H. Rep. 100-159 Part 1</u>	<u>H. Rep. 100-159 Part 2</u>	<u>H. Rep. 100-159 Part 3</u>	<u>S. Rep. 100-377</u>	<u>H.C.Rep. 100-998</u>
AFDC--Inclusion of American Samoa as a State (conforming amendment)	403(a)(1)	601(c)(1)(A)	2408	50	--	--	6, 57, 122	68, 193-194
AFDC--Inclusion of American Samoa as a State (conforming amendment)	403(a)(2)	601(c)(1)(A)	2408	50	--	--	6, 57, 122	68, 193-194
AFDC--Payment to States (conforming amendment)	403(a)(3)(D)	201(d)	2377	--	--	--	120	36, 108-159
AFDC--Payment to States (conforming amendment)	403(a)(3)(D)	202(b)(4)(A)	2377	--	--	--	120	37, 108-159
AFDC--Payment to States (conforming amendment)	403(a)(3)	202(b)(4)(B)	2377	--	--	--	120	37, 108-159
AFDC--Payment to States (conforming amendment)	403(c) Repealed	202(b)(5)	2377	15, 123	17, 57	--	121	37, 108-159
AFDC--Payment to States (conforming amendment)	403(d) Repealed	202(b)(6)	2377	15, 123	17, 57	--	121	37, 108-159
AFDC--Uniform Reporting Requirements	403(e) New	606	2410	29, 49, 81-82, 123-124	--	--	--	70, 191
AFDC--Inclusion of American Samoa as a State (conforming amendment)	403(i)(4)	601(c)(1)(B)	2408	50	--	--	6, 57, 122	68, 193-194
AFDC--Inclusion of American Samoa as a State (conforming amendment)	403(j)	601(c)(1)(B)	2408	50	--	--	6, 57, 122	68, 193-194

<u>Subject</u>	<u>S.S. Act Section</u>	<u>P.L. Section</u>	<u>102 Stat.</u>	<u>H. Rep. 100-159 Part 1</u>	<u>H. Rep. 100-159 Part 2</u>	<u>H. Rep. 100-159 Part 3</u>	<u>S. Rep. 100-377</u>	<u>H.C.Rep. 100-998</u>
AFDC--Job Opportunities and Basic Skills Training Program	403(k) New	201(c)(1)	2372	--	--	--	--	32, 108-159
AFDC--Job Opportunities and Basic Skills Training Program	403(l) New	201(c)(2)	2373	--	--	--	122-123	33-36, 108-159
AFDC--Extended Eligibility for Child Care	403(l)(1)(A)	302(b)(2)	2384	--	--	--	--	44, 159-169
AFDC--Extension of Quality Control Penalty Moratorium	403(m) New	609(a)	2424	--	--	--	--	85-86
AFDC--Benefits for Two-Parent Families	407(b)	401(a)(2)(B)	2394	--	--	--	--	53, 179-181
AFDC--State Flexibility in Structuring Two-Parent Family Program (technical amendment)	407(b) Redesignated as 407(b)(1)	401(b)(1)(A) (1)	2394	76	--	--	--	53, 179-181
AFDC--State Flexibility in Structuring Two-Parent Family Program (technical amendment)	407(b)(1) Redesignated as 407(b)(1) (A)	401(b)(1)(A) (ii)	2394	76	--	--	--	53, 179-181
AFDC--Benefits for Two-Parent Families	407(b)(1)(A) (iii)(I)	401(c)(3)	2395	76	--	--	125	55, 179-181
AFDC--State Flexibility in Structuring Two-Parent Family Program (technical amendment)	407(b)(1)(A) Redesignated as 407(b)(1) (A)(i)	401(b)(1)(A) (iii)	2394	76	--	--	125	53, 179-181

<u>Subject</u>	<u>S.S. Act Section</u>	<u>P.L. Section</u>	<u>102 Stat.</u>	<u>H. Rep. 100-159 Part 1</u>	<u>H. Rep. 100-159 Part 2</u>	<u>H. Rep. 100-159 Part 3</u>	<u>S. Rep. 100-377</u>	<u>H.C.Rep. 100-998</u>
AFDC--State Flexibility in Structuring Two-Parent Family Program	407(b)(1)(A)	401(b)(1)(B)	2394	76	--	--	125	54, 179-181
AFDC--State Flexibility in Structuring Two-Parent Family Program (technical amendment)	407(b)(1)(B) Redesignated as 407(b)(1) (A)(ii)	401(b)(1)(A) (iii)	2394	76	--	--	125	53, 179-181
AFDC--State Flexibility in Structuring Two-Parent Family Program	407(b)(1)(B)	401(b)(3)(A)	2395	76	--	--	125-126	54, 179-181
AFDC--State Flexibility in Structuring Two-Parent Family Program (technical amendment)	407(b)(1)(C) Redesignated as 407(b)(1) (A)(iii)	401(b)(1)(A) (iii)	2395	76	--	--	125	53, 179-181
AFDC--State Flexibility in Structuring Two-Parent Family Program (technical amendment)	407(b)(1)(C) (i) Redesignated as 407(b)(1) (A)(iii)(I)	401(b)(1)(A) (v)	2395	76	--	--	125	53, 179-181
AFDC--State Flexibility in Structuring Two-Parent Family Program (technical amendment)	407(b)(1)(C) (ii) Redesignated as 407(b)(1) (A)(iii)(II)	401(b)(1)(A) (v)	2395	76	--	--	126	53, 179-181
AFDC--State Flexibility in Structuring Two-Parent Family Program	407(b)(2)	401(b)(1)(A) (ii)	2394	76	--	--	125	53, 179-181

<u>Subject</u>	<u>S.S. Act Section</u>	<u>P.L. Section</u>	<u>102 Stat.</u>	<u>H. Rep. 100-159 Part 1</u>	<u>H. Rep. 100-159 Part 2</u>	<u>H. Rep. 100-159 Part 3</u>	<u>S. Rep. 100-377</u>	<u>H.C.Rep. 100-998</u>
AFDC--State Flexibility in Structuring Two-Parent Family Program	407(b)(2)	401(a)(2)(C)	2394	76	--	--	125	53, 179-181
AFDC--State Flexibility in Structuring Two-Parent Family Program	407(b)(2)(A)	202(b)(7)	2377	--	--	--	125	37, 108-159
AFDC--State Flexibility in Structuring Two-Parent Family Program (technical amendment)	407(b)(2)(A) Redesignated as 407(b)(1) (B)(i)	401(b)(1)(A) (iv)	2394	76	--	--	125	53, 179-181
AFDC--State Flexibility in Structuring Two-Parent Family Program (technical amendment)	407(b)(2)(B) Redesignated as 407(b)(1) (B)(ii)	401(b)(1)(A) (iv)	2394	76	--	--	125	53, 179-181
AFDC--State Flexibility in Structuring Two-Parent Family Program (technical amendment)	407(b)(2)(C) Redesignated as 407(b)(1) (B)(iii)	401(b)(1)(A) (iv)	2394	76	--	--	125	53, 179-181
AFDC--Dependent Children of Unemployed Parents (conforming amendment)	407(b)(2)(C) (i)	202(b)(8)(A)	2377	--	--	--	46-49	37, 108-159
AFDC--Dependent Children of Unemployed Parents (conforming amendment)	407(b)(2)(C) (i)	202(b)(8)(B)	2377	--	--	--	46-49	37, 108-159

<u>Subject</u>	<u>S.S. Act Section</u>	<u>P.L. Section</u>	<u>102 Stat.</u>	<u>H. Rep. 100-159 Part 1</u>	<u>H. Rep. 100-159 Part 2</u>	<u>H. Rep. 100-159 Part 3</u>	<u>S. Rep. 100-377</u>	<u>H.C.Rep. 100-998</u>
AFDC--Dependent Children of Unemployed Parents (conforming amendment)	407(b)(2)(C) (i)	202(b)(8)(C)	2377	--	--	--	46-49	37, 108-159
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Medicare-- Supplementary Medical Insurance Benefits	1839(g)(1) (B)(iii)(II)	608(d)(9)(A) (ii)	2415	--	--	--	--	75, 196
Medicare-- Supplementary Medical Insurance Benefits	1839(g)(7) (A)(ii)	608(d)(9)(A) (iii)	2415	--	--	--	--	75, 196
Medicare-- Supplementary Medical Insurance Benefits (technical amendment)	1840(i)	608(d)(10) (B)	2415	--	--	--	--	75, 196
Medicare-- Supplementary Medical Insurance Benefits (technical amendment)	1841A(a)(1)	608(d)(10) (A)	2415	--	--	--	--	75, 196

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Medicare-- Supplementary Medical Insurance Benefits	1842(b)(2) (A)	608(d)(5)(G)	2414	--	--	--	--	74, 196
Medicare-- Supplementary Medical Insurance Benefits	1842(b)(3) (K)	608(d)(5)(C)	2414	--	--	--	--	74, 196
Medicare-- Supplementary Medical Insurance Benefits	1842(c)(1) (A)(ii)	608(d)(5)(D)	2414	--	--	--	--	74, 196
Medicare-- Supplementary Medical Insurance Benefits (technical amendment)	1842(c)(2) (A)	608(d)(5)(H) (1)	2414	--	--	--	--	74, 196
Medicare-- Supplementary Medical Insurance Benefits (technical amendment)	1842(c)(3) (A)	608(d)(5)(H) (1)	2414	--	--	--	--	74, 196
Medicare-- Supplementary Medical Insurance Benefits	1842(f)(3)	608(d)(5)(B)	2414	--	--	--	--	74, 196
Medicare-- Supplementary Medical Insurance Benefits (technical amendment)	1842(i)(3)	608(d)(21) (A)	2420	--	--	--	--	80, 196
Medicare-- Supplementary Medical Insurance Benefits	1842(n)(1) (A)	608(d)(21) (D)	2420	--	--	--	--	80, 196

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Medicare-- Supplementary Medical Insurance Benefits (technical amendment)	1842(n)(1) (A)	608(d)(17)	2418	--	--	--	--	79, 196
Medicare-- Supplementary Medical Insurance Benefits (technical amendment)	1842(o)(1) (A)(i)	608(d)(5)(A) (i)	2414	--	--	--	--	74, 196
Medicare-- Supplementary Medical Insurance Benefits (technical amendment)	1842(o)(1) (B)(ii)	608(d)(5)(A) (ii)	2414	--	--	--	--	75, 196
Medicare-- Supplementary Medical Insurance Benefits	1843(h)(1)	608(d)(14) (H)(ii)	2416	--	--	--	--	76, 196
Medicare-- Supplementary Medical Insurance Benefits (technical amendment)	1843(h)(1) (A)	608(d)(14) (H)(ii)	2416	--	--	--	--	76, 196
Medicare-- Supplementary Medical Insurance Benefits	1843(h)(1) (B) New	608(d)(14) (H)(ii)	2416	--	--	--	--	76, 196
Medicare-- Supplementary Medical Insurance Benefits	1843(h)(2)	608(d)(14) (H)(ii)	2416	--	--	--	--	77, 196

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Medicare-- Supplementary Medical Insurance Benefits	1847(b)(3)	608(d)(5)	2414	--	--	--	--	75, 196
Medicare-- Supplementary Medical Insurance Benefits	1861(n)	608(d)(27) (B)	2422	--	--	--	--	83, 196
Medicare-- Supplementary Medical Insurance Benefits	1861(s)(2) (K)(i)(I)	608(d)(23) (B)	2421	--	--	--	--	81, 196
Medicare-- Supplementary Medical Insurance Benefits	1861(jj) Heading	608(d)(6)(A)	2414	--	--	--	--	75, 196
Medicare-- Supplementary Medical Insurance Benefits	1862(e)	608(d)(24) (C)(i)	2421	--	--	--	--	82, 196
Medicare-- Supplementary Medical Insurance Benefits	1862(e)	608(d)(24) (C)(ii)(II)	2421	--	--	--	--	82, 196
Medicare-- Supplementary Medical Insurance Benefits	1864(a)	608(d)(20) (B)(i)(II)	2419	--	--	--	--	80, 196
Medicare-- Supplementary Medical Insurance Benefits	1864(a)	608(d)(20) (B)(ii)	2419	--	--	--	--	80, 196
Medicare-- Supplementary Medical Insurance Benefits	1864(a)	608(d)(20) (C)	2420	--	--	--	--	80, 196

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Medicare-- Supplementary Medical Insurance Benefits	1864(a)	608(d)(27) (B)	2422	--	--	--	--	83, 196
Medicare-- Supplementary Medical Insurance Benefits	1865(a)	608(d)(20) (D)	2420	--	--	--	--	80, 196
Medicare-- Supplementary Medical Insurance, Benefits (technical amendment)	1866(a)(1) (H)	608(d)(19) (A)	2419	--	--	--	--	79, 196
Medicare-- Supplementary Medical Insurance Benefits (technical amendment)	1866(a)(1) (N)	608(d)(19) (A)	2419	--	--	--	--	79, 196
Medicare-- Supplementary Medical Insurance Benefits	1866(f) Stricken	608(f)(1)	2424	--	--	--	--	85, 196
Medicare-- Supplementary Medical Insurance Benefits (technical amendment)	1867(d)(2) (C)	608(d)(18) (E)	2419	--	--	--	--	79, 196
Medicare-- Supplementary Medical Insurance Benefits (technical amendment)	1876(1)(6) (B)(i)	608(d)(19) (B)(iii)	2419	--	--	--	--	80, 196

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Medicare-- Supplementary Medical Insurance Benefits	1883(f)	608(d)(27) (B)	2422	--	--	--	--	83, 196
Medicare-- Supplementary Medical Insurance Benefits (technical amendment)	1886(b)(3) (B)(i)(III)	608(d)(18) (A)	2418	--	--	--	--	79, 196
Medicare-- Supplementary Medical Insurance Benefits (technical amendment)	1886(b)(3) (B)(i)(IV)	608(d)(18) (A)	2418	--	--	--	--	79, 196
Medicare-- Supplementary Medical Insurance Benefits (technical amendment)	1886(d)(3) (A)(i)	608(d)(18) (B)	2418	--	--	--	--	79, 196
Medicare-- Supplementary Medical Insurance Benefits	1891(c)(1)	608(d)(20) (A)	2419	--	--	--	--	80, 196
Medicare-- Supplementary Medical Insurance Benefits	1892	608(d)(21) (G)	2420	--	--	--	--	81, 196
Medicare-- Supplementary Medical Insurance Benefits	1892(a)(1) (A)	608(d)(21) (H)(ii)	2420	--	--	--	--	81, 196
Medicare-- Supplementary Medical Insurance Benefits	1892(a)(4)	608(d)(21) (E)	2420	--	--	--	--	81, 196

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Medicare-- Supplementary Medical Insurance Benefits	1892(d)(2)	608(d)(21) (F)(111)	2420	--	--	--	--	81, 196
Medicaid--State Plans for Medical Assistance (conforming amendment)	1902(a)(10) (A)(i)(I)	202(c)(4)	2378	--	--	--	--	38, 108-159
Medicaid-- Expansion of Coverage for Two-Parent Families (technical amendment)	1902(a)(10) (A)(i)(III)	401(d)(1)(A)	2396	--	--	--	--	55, 179-181
Medicaid-- Expansion of Coverage for Two-Parent Families (technical amendment)	1902(a)(10) (A)(i)(IV)	401(d)(1)(B)	2396	--	--	--	--	55, 179-181
Medicaid-- Expansion of Coverage for Two-Parent Families (technical amendment)	1902(a)(10) (A)(i)(V) New	401(d)(1)(C)	2396	--	--	--	--	55, 179-181
Medicaid--State Plans for Medical Assistance	1902(a)(13) (A)	608(d)(27) (H)	2423	--	--	--	--	84, 196
Medicaid--State Plans for Medical Assistance	1902(a)(13) (D)	608(d)(27) (G)	2423	--	--	--	--	84, 196
Medicaid--State Plans for Medical Assistance	1902(a)(15) Stricken	608(d)(14) (I)(111)	2416	--	--	--	--	76-77, 196

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Medicaid-- Extended Eligibility (technical amendment)	1902(a) (50)	303(a) (2) (A)	2391	--	--	--	42-45	--
Medicaid-- Extended Eligibility (technical amendment)	1902(a) (51)	303(a) (2) (B)	2391	--	--	--	42-45	--
Medicaid-- Extended Eligibility	1902(a) (52) New	303(a) (2) (C)	2391	--	--	--	42-45	--
Medicaid-- Extended Eligibility (technical amendment)	1902(e) (1) Redesignated as 1902(e) (1) (A)	303(b) (1) (B)	2391	--	--	10	42-45	51, 169-176
Medicaid-- Extended Eligibility	1902(e) (1)	303(b) (1) (A)	2391	--	--	--	42-45	51, 169-176
Medicaid-- Extended Eligibility	1902(e) (1) (B) New	303(b) (1) (C)	2391	--	--	--	42-45	51, 169-176
Medicaid-- Extended Eligibility	1902(e) (10) New	303(d)	2392	--	--	--	42-45	52, 169-176
Medicaid--State Plans for Medical Assistance (technical amendment)	1902(ℓ) (2) (A)	608(d) (15) (A) (i)	2416	--	--	--	--	77, 196
Medicaid--State Plans for Medical Assistance	1902(ℓ) (2) (A) (ii)	608(d) (15) (B) (i) (I)	2417	--	--	--	--	77, 196
Medicaid--State Plans for Medical Assistance	1902(ℓ) (2) (A) (ii) (I)	608(d) (15) (B) (i) (II)	2417	--	--	--	--	77, 196

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Medicaid--State Plans for Medical Assistance	1902(l)(2) (A)(iii)	608(d)(15) (B)(ii)	2417	--	--	--	--	77, 196
Medicaid--State Plans for Medical Assistance	1902(r)(2) (A)	608(d)(16) (C)	2418	--	--	--	--	78, 196
Medicaid-- Payment to States	1903(i)(2) (A)	608(d)(26) (K)(ii)	2422	--	--	--	--	82-83, 196
Medicaid-- Payment to States	1903(i)(2) (B)	608(d)(26) (K)(ii)	2422	--	--	--	--	82-83, 196
Medicaid-- Payment to States	1903(m)(2) (B)(i)(II)	608(f)(4)	2424	--	--	--	--	85, 196
Medicaid-- Definitions (technical amendment)	1905(a)(vii)	303(b)(2)	2392	--	--	36	184	51, 169-176
Medicaid-- Definitions (technical amendment)	1905(a) (viii)	303(b)(2)	2392	--	--	36	184	51, 169-176
Medicaid-- Definitions-- Medical Assistance	1905(a)(ix) New	303(b)(2)	2392	--	--	36	184	51, 169-176
Medicaid-- Definitions-- Qualified Family Member	1905(m) New	401(d)(2)	2396	--	--	--	--	55-56, 179-181
Medicaid-- Definitions (technical amendment)	1905(o)(3)	608(f)(3)	2424	--	--	--	--	85, 196
Medicaid-- Definitions (technical amendment)	1905(p)(2) (A)	608(d)(14) (A)	2415	--	--	--	--	76, 196

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Medicaid-- Definitions (technical amendment)	1905(p)(2) (A)	608(d)(14) (B)	2415	--	--	--	--	76, 196
Medicaid-- Definitions (conforming amendment)	1905(p)(2) (A)	608(d)(14) (E)(iii)	2416	--	--	--	--	76, 196
Medicaid-- Definitions (technical amendment)	1905(p)(2) (B)	608(d)(14) (D)(ii)	2415	--	--	--	--	76, 196
Medicaid-- Definitions (technical amendment)	1905(p)(2) (ii)(I) Redesignated as 1905(p)(2) (B)(i)	608(d)(14) (D)(i)	2415	--	--	--	--	76, 196
Medicaid-- Definitions (technical amendment)	1905(p)(2) (ii)(II) Redesignated as 1905(p)(2) (B)(ii)	608(d)(14) (D)(i)	2415	--	--	--	--	76, 196
Medicaid-- Definitions (technical amendment)	1905(p)(2) (ii)(III) Redesignated as 1905(p)(2) (B)(iii)	608(d)(14) (D)(i)	2415	--	--	--	--	76, 196
Medicaid-- Definitions (technical amendment)	1905(p)(2) (ii)(IV) Redesignated as 1905(p)(2) (B)(iv)	608(d)(14) (D)(i)	2415	--	--	--	--	76, 196
Medicaid-- Definitions (conforming amendment)	1905(p)(2) (C)	608(d)(14) (D)(iii)	2415	--	--	--	--	76, 196
Medicaid-- Definitions (technical amendment)	1905(p)(2) (iii)(II) Redesignated as 1905(p)(2) (C)(i)	608(d)(14) (D)(i)	2415	--	--	--	--	76, 196

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Medicaid-- Definitions (technical amendment)	1905(p)(2) (iii)(II) Redesignated as 1905(p)(2) (C)(ii)	608(d)(14) (D)(i)	2415	--	--	--	--	76, 196
Medicaid-- Definitions (technical amendment)	1905(p)(2) (iii)(III) Redesignated as 1905(p)(2) (C)(iii)	608(d)(14) (D)(i)	2415	--	--	--	--	76, 196
Medicaid-- Definitions (technical amendment)	1905(p)(2) (iii)(IV) Redesignated as 1905(p)(2) (C)(iv)	608(d)(14) (D)(i)	2415	--	--	--	--	76, 196
Medicaid-- Definitions (technical amendment)	1905(p)(2) (iii)(V) Redesignated as 1905(p)(2) (C)(v)	608(d)(14) (D)(i)	2415	--	--	--	--	76, 196
Medicaid-- Definitions	1905(p)(3)	608(d)(14) (G)(ii)	2416	--	--	--	--	76, 196
Medicaid-- Definitions (technical amendment)	1905(p)(3) (C)	608(d)(14) (F)	2416	--	--	--	--	76, 196
Medicaid-- Definitions (conforming amendment)	1905(p)(5) (B)	608(d)(14) (J)(i)	2416	--	--	--	--	77, 196
Medicaid-- Definitions (conforming amendment)	1905(p)(5) (B)	608(d)(14) (J)(ii)	2416	--	--	--	--	77, 196
Medicaid-- Certification and Approval of Rural Health Clinics	1910(b)(1)	608(d)(27) (J)	2423	--	--	--	--	84, 196

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Medicaid-- Inapplicability and Waiver of Certain Requirements (technical amendment)	1915(a)(2)	608(f)(2)	2424	--	--	--	--	85, 196
Medicaid-- Inapplicability and Waiver of Certain Requirements	1915(h)	608(d)(26) (H)	2422	--	--	--	--	83, 196
Medicaid--Liens, Adjustments and Recoveries, and Transfers of Assets	1917(c)(1)	608(d)(16) (B)(i)(I)	2417	--	--	--	--	78, 196
Medicaid--Liens, Adjustments and Recoveries, and Transfers of Assets	1917(c)(1)	608(d)(16) (B)(i)(II)	2417	--	--	--	--	78, 196
Medicaid--Liens, Adjustments and Recoveries, and Transfers of Assets	1917(c)(1)	608(d)(16) (B)(i)(III)	2417	--	--	--	--	78, 196
Medicaid--Liens, Adjustments and Recoveries, and Transfers of Assets	1917(c)(2) (A)(ii)	608(d)(16) (B)(ii)	2417	--	--	--	--	78, 196
Medicaid--Liens, Adjustments and Recoveries, and Transfers of Assets	1917(c)(2) (A)(ii)	608(d)(16) (B)(ii)	2417	--	--	--	--	78, 196
Medicaid--Liens, Adjustments and Recoveries, and Transfers of Assets	1917(c)(2) (A)(iii)	608(d)(16) (B)(iii)	2417	--	--	--	--	78, 196

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Medicaid--Liens, Adjustments and Recoveries, and Transfers of Assets	1917(c)(2) (A)(iv)	608(d)(16) (B)(iv)	2418	--	--	--	--	78, 196
Medicaid--Liens, Adjustments and Recoveries, and Transfers of Assets (technical amendment)	1917(c)(2) (B)	608(d)(16) (B)(v)(I)	2418	--	--	--	--	78, 196
Medicaid--Liens, Adjustments and Recoveries, and Transfers of Assets (technical amendment)	1917(c)(2) (B)(i)	608(d)(16) (B)(v)(II)	2418	--	--	--	--	78, 196
Medicaid--Liens, Adjustments and Recoveries, and Transfers of Assets	1917(c)(2) (B)(ii) New	608(d)(16) (B)(v)(II)	2418	--	--	--	--	78, 196
Medicaid--Liens, Adjustments and Recoveries, and Transfers of Assets	1917(c)(2) (B)(iii) New	608(d)(16) (B)(v)(II)	2418	--	--	--	--	78, 196
Medicaid--Liens, Adjustments and Recoveries, and Transfers of Assets	1917(c)(3)	608(d)(16) (B)(vi)	2418	--	--	--	--	78, 196
Medicaid--Liens, Adjustments and Recoveries, and Transfers of Assets	1917(c)(5) New	608(d)(16) (B)(vii)	2418	--	--	--	--	78, 196
Medicaid-- Requirements for Nursing Facilities (technical amendment)	1919(b)(3) (A)(iv)	608(d)(27) (C)	2423	--	--	--	--	83, 196

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Medicaid-- Requirements for Nursing Facilities (technical amendment)	1919(c)(2) (B)(iii) (III)	608(d)(27) (E)	2423	--	--	--	--	83, 196
Medicaid-- Requirements for Nursing Facilities (technical amendment)	1919(g)(2) (B)(ii) (III)	608(d)(27) (I)	2423	--	--	--	--	84, 196
Medicaid-- Presumptive Eligibility for Pregnant Women (technical amendment)	1920(b)(2) (D)(iii)	608(d)(26) (L)(iii)	2422	--	--	--	--	83, 196
Medicaid-- Correction and Reduction Plans for Intermediate Care Facilities	1922(a)(2) (B)	608(d)(28)	2423	--	--	--	--	84, 196
Medicaid-- Correction and Reduction Plans for Intermediate Care Facilities	1922(a)(2) (C)	608(d)(28)	2423	--	--	--	--	84, 196
Medicaid-- Payment for Services Provided by Disproportionate Share Hospitals (technical amendment)	1923(a)(2) (C)	608(d)(15) (C)	2417	--	--	--	--	77, 196
Medicaid-- Payment for Services Provided by Disproportionate Share Hospitals (conforming amendment)	1923(a)(2) (E) New	608(d)(28)	2423	--	--	--	--	84, 196

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Medicaid-- Payment for Services Provided by Disproportionate Share Hospitals	1923(b)(3) (B)(i)	608(d)(26) (D)	2421	--	--	--	--	82, 196
Medicaid-- Payment for Services Provided by Disproportionate Share Hospitals (technical amendment)	1923(c)	608(d)(26) (E)	2421	--	--	--	--	82, 196
Medicaid-- Payment for Services Provided by Disproportionate Share Hospitals	1923(c)(2)	608(d)(26) (A)	2421	--	--	--	--	82, 196
Medicaid-- Payment for Services Provided by Disproportionate Share Hospitals	1923(e)(2)	608(d)(26) (C)	2421	--	--	--	--	82, 196
Medicaid-- Treatment of Income and Resources for Certain Institutionalized Spouses	1924(c)(1) (B)	608(d)(16) (A)(i)	2417	--	--	--	--	77, 196
Medicaid-- Treatment of Income and Resources for Certain Institutionalized Spouses	1924(c)(2) (B)	608(d)(16) (A)(ii)	2417	--	--	--	--	77, 196
Medicaid-- Treatment of Income and Resources for Certain Institutionalized Spouses	1924(d)(3) (A)(i)	608(d)(16) (A)(iii)	2417	--	--	--	--	77, 196

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Medicaid-- Treatment of Income and Resources for Certain Institutionalized Spouses	1924(d)(4)	608(d)(16) (A)(iv)	2417	--	--	--	--	77, 196
Medicaid-- Treatment of Income and Resources for Certain Institutionalized Spouses	1924(e)(2) (A)	608(d)(16) (A)(v)	2417	--	--	--	--	77, 196
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Medicaid-- Treatment of Income and Resources for Certain Institutionalized Spouses	1924(f)(1)	608(d)(16) (A)(vi)(II)	2417	--	--	--	--	77, 196
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Medicaid-- References to Laws (technical amendment)	1925 Redesignated as 1926	303(a)(1)	2385	--	--	--	--	44, 169-176
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<u>Subject</u>	<u>S.S. Act Section</u>	<u>P.L. Section</u>	<u>102 Stat.</u>	<u>H. Rep. 100-159 Part 1</u>	<u>H. Rep. 100-159 Part 2</u>	<u>H. Rep. 100-159 Part 3</u>	<u>S. Rep. 100-377</u>	<u>H.C.Rep. 100-998</u>
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Public Law 100-485
100th Congress

An Act

To revise the AFDC program to emphasize work, child support, and family benefits, to amend title IV of the Social Security Act to encourage and assist needy children and parents under the new program to obtain the education, training, and employment needed to avoid long-term welfare dependence, and to make other necessary improvements to assure that the new program will be more effective in achieving its objectives.

Oct. 13, 1988

[H.R. 1720]

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

(a) **SHORT TITLE.**—This Act may be cited as the “Family Support Act of 1988”.

(b) **TABLE OF CONTENTS.**—The table of contents of this Act is as follows:

Family Support
Act of 1988.
State and local
governments.
42 USC 1305
note.

Sec. 1. Short title; table of contents.

TITLE I—CHILD SUPPORT AND ESTABLISHMENT OF PATERNITY

SUBTITLE A—CHILD SUPPORT

- Sec. 101. Immediate income withholding.
- Sec. 102. Disregard applicable to timely child support payments.
- Sec. 103. State guidelines for child support award amounts.
- Sec. 104. Timing of notice of support payment collections.

SUBTITLE B—ESTABLISHMENT OF PATERNITY

- Sec. 111. Performance standards for State paternity establishment programs
- Sec. 112. Increased Federal assistance for paternity establishment.

SUBTITLE C—IMPROVED PROCEDURES FOR CHILD SUPPORT ENFORCEMENT AND
ESTABLISHMENT OF PATERNITY

- Sec. 121. Requirement of prompt State response to requests for child support assistance.
- Sec. 122. Requirement of prompt State distribution of amounts collected as child support.
- Sec. 123. Automated tracking and monitoring systems made mandatory.
- Sec. 124. Additional information source for parent locator service.
- Sec. 125. Use of social security number to establish identity of parents.
- Sec. 126. Commission on Interstate Child Support.
- Sec. 127. Costs of interstate enforcement demonstrations excluded in computing incentive payments.
- Sec. 128. Study of child-rearing costs.
- Sec. 129. Collection and reporting of child support enforcement data.

TITLE II—JOB OPPORTUNITIES AND BASIC SKILLS TRAINING PROGRAM

- Sec. 201. Establishment and operation of program.
- Sec. 202. Technical and conforming amendments.
- Sec. 203. Regulations; performance standards; studies.
- Sec. 204. Effective date.

TITLE III—SUPPORTIVE SERVICES FOR FAMILIES

- Sec. 301. Child care during participation in education, employment, and training
- Sec. 302. Extended eligibility for child care.
- Sec. 303. Extended eligibility for medical assistance.
- Sec. 304. Effective dates.

TITLE IV—RELATED AFDC AMENDMENTS

- Sec. 401. Benefits for two-parent families.
- Sec. 402. Changes in earned income disregards.
- Sec. 403. Households headed by minor parents.
- Sec. 404. Periodic reevaluation of need and payment standards.
- Sec. 405. CBO study on implementation of national minimum payment standard.
- Sec. 406. Study of new national approaches to welfare benefits for low-income families with children.

TITLE V—DEMONSTRATION PROJECTS

- Sec. 501. Family support demonstration projects.
- Sec. 502. Demonstration projects to test the effect of early childhood development programs.
- Sec. 503. Demonstration projects to test alternative definitions of unemployment.
- Sec. 504. Demonstration projects to address child access problems.
- Sec. 505. Demonstration projects to expand the number of job opportunities available to certain low-income individuals.
- Sec. 506. Demonstration projects to provide counseling and services to high-risk teenagers.
- Sec. 507. Eighteen-month extension of Minnesota prepaid medicaid demonstration project.

TITLE VI—MISCELLANEOUS PROVISIONS

- Sec. 601. Inclusion of American Samoa as a State under title IV.
- Sec. 602. Increase in amount available for payment to Puerto Rico, the Virgin Islands, and Guam.
- Sec. 603. Assistant Secretary for Family Support.
- Sec. 604. Responsibilities of the State.
- Sec. 605. Establishment of preeligibility fraud detection measures.
- Sec. 606. Uniform reporting requirements.
- Sec. 607. State reports on expenditure and use of social services funds.
- Sec. 608. Miscellaneous technical corrections to Medicare Catastrophic Coverage Act of 1988.
- Sec. 609. Extension of quality control penalty moratorium.

TITLE VII—FUNDING PROVISIONS

- Sec. 701. Temporary extension of provisions relating to collection of nontax debts owed to Federal agencies.
- Sec. 702. Limitation on use of reimbursement arrangements to avoid 2-percent floor.
- Sec. 703. Modifications to dependent care credit and exclusion for dependent care assistance.
- Sec. 704. Taxpayer identification number required for dependents who have attained age 2.

TITLE I—CHILD SUPPORT AND ESTABLISHMENT OF PATERNITY

Subtitle A—Child Support

SEC. 101. IMMEDIATE INCOME WITHHOLDING.

42 USC 666.

(a) **IN GENERAL.**—Section 466(b)(3) of the Social Security Act is amended to read as follows:

Effective date.

“(3)(A) The wages of an absent parent shall be subject to such withholding, regardless of whether support payments by such parent are in arrears, in the case of a support order being enforced under this part that is issued or modified on or after the first day of the 25th month beginning after the date of the enactment of this paragraph, on the effective date of the order; except that such wages shall not be subject to such withholding under this subparagraph in any case where (i) one of the parties demonstrates, and the court (or administrative process) finds,

that there is good cause not to require immediate income withholding, or (ii) a written agreement is reached between both parties which provides for an alternative arrangement.

"(B) The wages of an absent parent shall become subject to such withholding, in the case of wages not subject to withholding under subparagraph (A), on the date on which the payments which the absent parent has failed to make under a support order are at least equal to the support payable for one month or, if earlier, and without regard to whether there is an arrearage, the earliest of—

"(i) the date as of which the absent parent requests that such withholding begin,

"(ii) the date as of which the custodial parent requests that such withholding begin, if the State determines, in accordance with such procedures and standards as it may establish, that the request should be approved, or

"(iii) such earlier date as the State may select."

(b) APPLICATION TO ALL CHILD SUPPORT ORDERS.—Section 466(a)(8) of such Act is amended—

(1) by inserting "(A)" before "Procedures";

(2) by striking "which are issued or modified in the State" and inserting in lieu thereof "not described in subparagraph (B)"; and

(3) by adding at the end the following new subparagraph:

"(B) Procedures under which all child support orders which are initially issued in the State on or after January 1, 1994, and are not being enforced under this part will include the following requirements:

"(i) The wages of an absent parent shall be subject to withholding, regardless of whether support payments by such parent are in arrears, on the effective date of the order; except that such wages shall not be subject to withholding under this clause in any case where (I) one of the parties demonstrates, and the court (or administrative process) finds, that there is good cause not to require immediate income withholding, or (II) a written agreement is reached between both parties which provides for an alternative arrangement.

"(ii) The requirements of subsection (b)(1) (which shall apply in the case of each absent parent against whom a support order is or has been issued or modified in the State, without regard to whether the order is being enforced under the State plan).

"(iii) The requirements of paragraphs (2), (5), (6), (7), (8), (9), and (10) of subsection (b), where applicable.

"(iv) Withholding from income of amounts payable as support must be carried out in full compliance with all procedural due process requirements of the State."

(c) STUDY ON MAKING IMMEDIATE INCOME WITHHOLDING MANDATORY IN ALL CASES.—The Secretary of Health and Human Services shall conduct a study of the administrative feasibility, cost implications, and other effects of requiring immediate income withholding with respect to all child support awards in a State and shall report on the results of such study not later than 3 years after the date of the enactment of this Act.

42 USC 666.

Effective date.

Reports.
42 USC 666 note.

42 USC 666 note.

(d) **EFFECTIVE DATE.**—(1) The amendment made by subsection (a) shall become effective on the first day of the 25th month beginning after the date of the enactment of this Act.

(2) The amendments made by subsection (b) shall become effective on January 1, 1994.

(3) Subsection (c) shall become effective on the date of the enactment of this Act.

SEC. 102. DISREGARD APPLICABLE TO TIMELY CHILD SUPPORT PAYMENTS.

42 USC 602.

(a) **IN GENERAL.**—Section 402(a)(8)(A)(vi) of the Social Security Act is amended by striking “of any child support payments received in such month” and inserting in lieu thereof “of any child support payments for such month received in that month, and the first \$50 of child support payments for each prior month received in that month if such payments were made by the absent parent in the month when due,”.

42 USC 657.

(b) **CONFORMING AMENDMENT.**—Section 457(b)(1) of such Act is amended by striking “the first \$50 of such amounts as are collected periodically which represent monthly support payments” and inserting in lieu thereof “of such amounts as are collected periodically which represent monthly support payments, the first \$50 of any payments for a month received in that month, and the first \$50 of payments for each prior month received in that month which were made by the absent parent in the month when due,”.

42 USC 602 note.

(c) **EFFECTIVE DATE.**—The amendments made by this section shall become effective on the first day of the first calendar quarter which begins after the date of the enactment of this Act.

SEC. 103. STATE GUIDELINES FOR CHILD SUPPORT AWARD AMOUNTS.

42 USC 667.

(a) **GUIDELINES TO CREATE REBUTTABLE PRESUMPTION.**—Section 467(b) of the Social Security Act is amended—

(1) by inserting “(1)” after “(b)”;

(2) by striking “, but need not be binding upon such judges or other officials”; and

(3) by adding at the end the following new paragraph:

Courts, U.S.

“(2) There shall be a rebuttable presumption, in any judicial or administrative proceeding for the award of child support, that the amount of the award which would result from the application of such guidelines is the correct amount of child support to be awarded. A written finding or specific finding on the record that the application of the guidelines would be unjust or inappropriate in a particular case, as determined under criteria established by the State, shall be sufficient to rebut the presumption in that case.”.

Records.

(b) **GUIDELINES TO BE REVIEWED EVERY 4 YEARS.**—Section 467(a) of such Act is amended by inserting “, and shall be reviewed at least once every 4 years to ensure that their application results in the determination of appropriate child support award amounts” after “action”.

42 USC 666.

(c) **STATE LAW REQUIREMENTS FOR REVIEW OF INDIVIDUAL AWARDS.**—Section 466(a) of such Act is amended by inserting after paragraph (9) the following new paragraph:

Effective date.

“(10)(A) Procedures to ensure that, beginning 2 years after the date of the enactment of this paragraph, if the State determines (pursuant to a plan indicating how and when child support orders in effect in the State are to be periodically reviewed and adjusted) that a child support order being enforced under this

part should be reviewed, the State must, at the request of either parent subject to the order, or of a State child support enforcement agency, initiate a review of such order, and adjust such order, as appropriate, in accordance with the guidelines established pursuant to section 467(a).

"(B) Procedures to ensure that, beginning 5 years after the date of the enactment of this paragraph or such earlier date as the State may select, the State must implement a process for the periodic review and adjustment of child support orders being enforced under this part under which the order is to be reviewed not later than 36 months after the establishment of the order or the most recent review, and adjusted, as appropriate, in accordance with the guidelines established pursuant to section 467(a), unless—

Effective date.

"(i) in the case of an order with respect to an individual with respect to whom an assignment under section 402(a)(26) is in effect, the State has determined, in accordance with regulations of the Secretary, that such a review would not be in the best interests of the child and neither parent has requested review; and

"(ii) in the case of any other order being enforced under this part, neither parent has requested review.

"(C) Procedures to ensure that the State notifies each parent subject to a child support order in effect in the State that is being enforced under this part—

"(i) of any review of such order, at least 30 days before the commencement of such review; and

"(ii) of the right of such parent under subparagraph (B) to request the State to review such order; and

"(iii) of a proposed adjustment (or determination that there should be no change) in the child support award amount, and such parent is afforded not less than 30 days after such notification to initiate proceedings to challenge such adjustment (or determination)."

(d) **STUDY OF IMPACT OF EXTENDING PERIODIC REVIEW REQUIREMENT TO ALL OTHER CASES.**—Within 2 years after the date of the enactment of this Act, the Secretary of Health and Human Services shall conduct and complete a study to determine the impact on child support awards and the courts of requiring each State to periodically review all child support orders in effect in the State.

42 USC 666 note.

(e) **DEMONSTRATION PROJECTS FOR EVALUATING MODEL PROCEDURES FOR REVIEWING CHILD SUPPORT AWARDS.**—(1) Not later than April 1, 1989, the Secretary of Health and Human Services (in this subsection referred to as the "Secretary") shall enter into an agreement with each of 4 States submitting applications under this subsection for the purpose of conducting a demonstration project under part D of title IV of the Social Security Act in the State to test and evaluate model procedures for reviewing child support award amounts.

Contracts.

42 USC 666 note.

(2) Notwithstanding section 454(1) of the Social Security Act, a demonstration project conducted under this subsection may be conducted in one or more political subdivisions of the State.

(3) An agreement under this subsection shall be entered into between the Secretary and the State agency designated by the Governor of the State involved. Under such agreement, the Secretary shall pay to the State, as an additional payment under part D of title IV of the Social Security Act, an amount equal to 90 percent of the reasonable costs incurred by the State in conducting a dem-

onstration project under this subsection. Such costs shall not be taken into account for purposes of computing the incentive payment under section 458 of such Act.

(4) A demonstration project under this subsection shall be commenced not later than September 30, 1989, and shall be conducted for a 2-year period unless the Secretary determines that the State conducting the project is not in substantial compliance with the terms of the agreement entered into with the State under paragraph (1).

(5)(A) Any State with an agreement under this subsection shall furnish the Secretary with such information as the Secretary determines to be necessary to evaluate the results of the project conducted by the State.

Reports.

(B) The Secretary shall report the results of the demonstration projects conducted under this subsection to Congress not later than 6 months after all such projects are completed.

42 USC 666 note.

(f) **EFFECTIVE DATE.**—The amendments made by subsections (a), (b), and (c) shall become effective one year after the date of the enactment of this Act.

SEC. 104. TIMING OF NOTICE OF SUPPORT PAYMENT COLLECTIONS.

42 USC 654.

(a) **IN GENERAL.**—Section 454(5)(A) of the Social Security Act is amended by striking “at least annually” and inserting in lieu thereof “on a monthly basis (or on a quarterly basis for so long as the Secretary determines with respect to a State that requiring such notice on a monthly basis would impose an unreasonable administrative burden)”.

42 USC 654 note.

(b) **EFFECTIVE DATE.**—The amendment made by subsection (a) shall become effective on the first day of the first calendar quarter which begins 4 or more years after the date of the enactment of this Act.

Subtitle B—Establishment of Paternity

SEC. 111. PERFORMANCE STANDARDS FOR STATE PATERNITY ESTABLISHMENT PROGRAMS.

42 USC 652.

(a) **STANDARDS FOR STATE PROGRAMS.**—Section 452 of the Social Security Act is amended by adding at the end the following new subsection:

Effective date.

“(g)(1) A State’s program under this part shall be found, for purposes of section 403(h), not to have complied substantially with the requirements of this part unless, for any fiscal year beginning on or after October 1, 1991, its paternity establishment percentage for such fiscal year equals or exceeds—

“(A) 50 percent;

“(B) the paternity establishment percentage of the State for the fiscal year 1988, increased by the applicable number of percentage points; or

“(C) the paternity establishment percentage determined with respect to all States for such fiscal year.

“(2) For purposes of this section—

“(A) the term ‘paternity establishment percentage’ means, with respect to a State (or all States, as the case may be) for a fiscal year, the ratio (expressed as a percentage) that the total number of children—

“(i) who have been born out of wedlock,

“(ii)(I) except as provided in the last sentence of this paragraph, with respect to whom aid is being paid under the State’s plan approved under part A (or under all such plans) for such fiscal year, or (II) with respect to whom services are being provided under the State’s plan approved under this part (or under all such plans) for the fiscal year pursuant to an application submitted under section 454(6), and

“(iii) the paternity of whom has been established, bears to the total number of children who have been born out of wedlock and (except as provided in such last sentence) with respect to whom aid is being paid under the State’s plan approved under part A (or under all such plans) for such fiscal year or with respect to whom services are being provided under the State’s plan approved under this part (or under all such plans) for the fiscal year pursuant to an application submitted under section 454(6); and

“(B) the applicable number of percentage points means, with respect to a fiscal year (beginning with the fiscal year 1991), 3 percentage points multiplied by the number of fiscal years after the fiscal year 1989 and before the beginning of such fiscal year.

For purposes of subparagraph (A), the total number of children shall not include any child who is a dependent child by reason of the death of a parent or any child with respect to whom an applicant or recipient is found to have good cause for refusing to cooperate under section 402(a)(26).

“(3)(A) The requirements of this subsection are in addition to and shall not supplant any other requirement (that is not inconsistent with such requirements) established in regulations by the Secretary for the purpose of determining (for purposes of section 403(h)) whether the program of a State operated under this part shall be treated as complying substantially with the requirements of this part.

“(B) The Secretary may modify the requirements of this subsection to take into account such additional variables as the Secretary identifies (including the percentage of children born out-of-wedlock in a State) that affect the ability of a State to meet the requirements of this subsection.

“(C) The Secretary shall submit an annual report to the Congress that sets forth the data upon which the paternity establishment percentages for States for a fiscal year are based, lists any additional variables the Secretary has identified under subparagraph (A), and describes State performance in establishing paternity.”

Reports.

(b) GENETIC TESTS MAY BE REQUIRED BY CONTESTING PARTY.—Section 466(a)(5) of such Act is amended—

42 USC 666.

(1) by inserting “(A)” after “(5)”; and

(2) by adding at the end the following new subparagraph:

“(B) Procedures under which the State is required (except in cases where the individual involved has been found under section 402(a)(26)(B) to have good cause for refusing to cooperate) to require the child and all other parties, in a contested paternity case, to submit to genetic tests upon the request of any such party.”

(c) STATES MAY CHARGE INDIVIDUALS NOT RECEIVING AFDC FOR COSTS OF GENETIC TESTS TO ESTABLISH PATERNITY.—Section 454(6) of such Act is amended—

42 USC 654.

(1) by redesignating clause (D) as clause (E); and

(2) by inserting "(D) a fee (in accordance with regulations of the Secretary) for performing genetic tests may be imposed on any individual who is not a recipient of aid under a State plan approved under part A," after "section 464(a)(2),".

(d) ENCOURAGEMENT OF CIVIL PROCESSES.—Part D of title IV of such Act is amended by adding at the end the following new section:

"ENCOURAGEMENT OF STATES TO ADOPT SIMPLE CIVIL PROCESS FOR VOLUNTARILY ACKNOWLEDGING PATERNITY AND A CIVIL PROCEDURE FOR ESTABLISHING PATERNITY IN CONTESTED CASES

42 USC 668.

"SEC. 468. In the administration of the child support enforcement program under this part, each State is encouraged to establish and implement a simple civil process for voluntarily acknowledging paternity and a civil procedure for establishing paternity in contested cases."

(e) REQUIREMENT TO PERMIT PATERNITY ESTABLISHMENT FOR CHILD UNDER 18.—Section 466(a)(5)(A) of such Act (as so designated by subsection (b) of this section) is amended—

(1) by inserting "(i)" before "(A)"; and

(2) by inserting at the end the following new clause:

Effective date.

"(ii) As of August 16, 1984, the requirement of clause (i) shall also apply to any child for whom paternity has not yet been established and any child for whom a paternity action was brought but dismissed because a statute of limitations of less than 18 years was then in effect in the State."

42 USC 652 note.

(f) EFFECTIVE DATE; IMPLEMENTATION.—(1) The amendments made by subsections (a), (d), and (e) shall become effective on the date of the enactment of this Act.

42 USC 654 note.

(2) The amendments made by subsections (b) and (c) shall become effective on the first day of the first month beginning one year or more after the date of the enactment of this Act.

42 USC 652 note.

(3) The Secretary of Health and Human Services shall collect the data necessary to implement the requirements of section 452(g) of the Social Security Act (as added by subsection (a) of this section) and may, in carrying out the requirement of determining a State's paternity establishment percentage for the fiscal year 1988, compute such percentage on the basis of data collected with respect to the last quarter of such fiscal year (or, if such data are not available, the first quarter of the fiscal year 1989) if the Secretary determines that data for the full year are not available.

SEC. 112. INCREASED FEDERAL ASSISTANCE FOR PATERNITY ESTABLISHMENT.

42 USC 655.

(a) INCREASED PAYMENTS TO STATES.—Section 455(a)(1) of the Social Security Act is amended—

(1) by striking "and" at the end of subparagraph (A);

(2) by striking the semicolon at the end of subparagraph (B) and inserting in lieu thereof ", and"; and

(3) by adding at the end the following new subparagraph:

"(C) equal to 90 percent (rather than the percentage specified in subparagraph (A)) of so much of the sums expended during such quarter as are attributable to laboratory costs incurred in determining paternity;"

42 USC 655 note.

(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall apply with respect to laboratory costs incurred on or after October 1, 1988.

Subtitle C—Improved Procedures for Child Support Enforcement and Establishment of Paternity

SEC. 121. REQUIREMENT OF PROMPT STATE RESPONSE TO REQUESTS FOR CHILD SUPPORT ASSISTANCE.

(a) **IN GENERAL.**—Section 452 of the Social Security Act (as amended by section 111(a) of this Act) is further amended by adding at the end the following new subsection:

“(h) The standards required by subsection (a)(1) shall include standards establishing time limits governing the period or periods within which a State must accept and respond to requests (from States, jurisdictions thereof, or individuals who apply for services furnished by the State agency under this part or with respect to whom an assignment under section 402(a)(26) is in effect) for assistance in establishing and enforcing support orders, including requests to locate absent parents, establish paternity, and initiate proceedings to establish and collect child support awards.”.

(b) **ADVISORY COMMITTEE; REGULATIONS.**—(1) Not later than 60 days after the date of the enactment of this Act, the Secretary of Health and Human Services shall establish an advisory committee. The committee shall include representatives of organizations representing State governors, State welfare administrators, and State directors of programs under part D of title IV of the Social Security Act. The Secretary shall consult with the advisory committee before issuing any regulations with respect to the standards required by the amendment made by subsection (a) (including regulations regarding what constitutes an adequate response on the part of a State to the request of an individual, State, or jurisdiction).

42 USC 652 note.

(2) Not later than 180 days after the date of the enactment of this Act, the Secretary of Health and Human Services shall issue a notice of proposed rulemaking with respect to the standards required by the amendment made by subsection (a), and, after allowing not less than 60 days for public comment, shall issue final regulations not later than the first day of the 10th month beginning after such date of enactment.

SEC. 122. REQUIREMENT OF PROMPT STATE DISTRIBUTION OF AMOUNTS COLLECTED AS CHILD SUPPORT.

(a) **IN GENERAL.**—Section 452 of the Social Security Act (as amended by the preceding provisions of this Act) is further amended by adding at the end the following new subsection:

“(i) The standards required by subsection (a)(1) shall include standards establishing time limits governing the period or periods within which a State must distribute, in accordance with section 457, amounts collected as child support pursuant to the State's plan approved under this part.”.

(b) **REGULATIONS.**—Not later than 180 days after the date of the enactment of this Act, the Secretary of Health and Human Services shall issue a notice of proposed rulemaking with respect to the standards required by the amendment made by subsection (a), and, after allowing not less than 60 days for public comment, shall issue final regulations not later than the first day of the 10th month to begin after such date of enactment.

42 USC 652 note.

SEC. 123. AUTOMATED TRACKING AND MONITORING SYSTEMS MADE MANDATORY.

42 USC 654.

(a) **PLAN REQUIREMENT.**—(1) Section 454 of the Social Security Act is amended—

(A) by striking “and” after the semicolon at the end of paragraph (22);

(B) by striking the period at the end of paragraph (23) and inserting in lieu thereof “; and”; and

(C) by inserting after paragraph (23) the following new paragraph:

“(24) provide that if the State, as of the date of the enactment of this paragraph, does not have in effect an automated data processing and information retrieval system meeting all of the requirements of paragraph (16), the State—

“(A) will submit to the Secretary by October 1, 1991, for review and approval by the Secretary within 9 months after submittal an advance automated data processing planning document of the type referred to in such paragraph; and

“(B) will have in effect by October 1, 1995, an operational automated data processing and information retrieval system, meeting all the requirements of that paragraph, which has been approved by the Secretary.”

(2) Section 454(16) of such Act is amended by striking “an automatic” and inserting in lieu thereof “a statewide automated”.

42 USC 652.

(b) **WAIVER AUTHORITY.**—Section 452(d) of such Act is amended—

(1) by striking “The” in paragraph (1) and inserting in lieu thereof “Except as provided in paragraph (3), the”; and

(2) by adding at the end the following new paragraph:

“(3) The Secretary may waive any requirement of paragraph (1) or any condition specified under section 454(16) with respect to a State if—

“(A) the State demonstrates to the satisfaction of the Secretary that the State has an alternative system or systems that enable the State, for purposes of section 403(h), to be in substantial compliance with other requirements of this part; and

“(B)(i) the waiver meets the criteria of paragraphs (1), (2), and (3) of section 1115(c), or

“(ii) the State provides assurances to the Secretary that steps will be taken to otherwise improve the State’s child support enforcement program.”

Effective date.

(c) **REPEAL OF 90-PERCENT FEDERAL REIMBURSEMENT RATE FOR AUTOMATED DATA SYSTEMS.**—Effective September 30, 1995, section 455(a)(1) of such Act (as amended by section 112(a) of this Act) is amended—

(1) by striking subparagraphs (A) and (B);

(2) by redesignating subparagraph (C) as subparagraph (A);

(3) in subparagraph (A) (as so redesignated)—

(A) by striking “(rather than the percentage specified in subparagraph (A))”; and

(B) by inserting “and” after the semicolon; and

(4) by inserting after subparagraph (A) (as so redesignated) the following new subparagraph:

“(B) equal to the percent specified in paragraph (2) of the total amounts expended by such State during such quarter for the operation of the plan approved under section 454;”

(d) **CONFORMING AMENDMENTS.**—Sections 402(e), 452(d)(1), and 454(16) of such Act are each amended by striking “automatic” each place it appears and inserting in lieu thereof “automated”.

42 USC 602, 652, 654.

SEC. 124. ADDITIONAL INFORMATION SOURCE FOR PARENT LOCATOR SERVICE.

(a) **IN GENERAL.**—Section 453(e) of the Social Security Act is amended by adding at the end the following new paragraph:

42 USC 653.

“(3) The Secretary of Labor shall enter into an agreement with the Secretary to provide prompt access for the Secretary (in accordance with this subsection) to the wage and unemployment compensation claims information and data maintained by or for the Department of Labor or State employment security agencies.”

Contracts.

(b) **STATE REQUIREMENT TO ASSIST SECRETARY IN OBTAINING INFORMATION.**—(1) Section 303 of such Act is amended by adding at the end the following new subsection:

42 USC 503.

“(h)(1) The State agency charged with the administration of the State law shall take such actions (in such manner as may be provided in the agreement between the Secretary of Health and Human Services and the Secretary of Labor under section 453(e)(3)) as may be necessary to enable the Secretary of Health and Human Services to obtain prompt access to any wage and unemployment compensation claims information (including any information that might be useful in locating an absent parent or such parent’s employer) for use by the Secretary of Health and Human Services, for purposes of section 453, in carrying out the child support enforcement program under title IV.

“(2) Whenever the Secretary of Labor, after reasonable notice and opportunity for hearing to the State agency charged with the administration of the State law, finds that there is a failure to comply substantially with the requirement of paragraph (1), the Secretary of Labor shall notify such State agency that further payments will not be made to the State until such Secretary is satisfied that there is no longer any such failure. Until the Secretary of Labor is so satisfied, such Secretary shall make no further certification to the Secretary of the Treasury with respect to such State.”

(2) Section 304(a)(2) of such Act is amended by striking “or (e)” and inserting in lieu thereof “(e), or (h)”.

42 USC 504.

(c) **EFFECTIVE DATE; IMPLEMENTATION.**—(1) Except as provided in paragraph (2), the amendments made by subsections (a) and (b) shall become effective on the first day of the first calendar quarter which begins one year or more after the date of the enactment of this Act.

42 USC 653 note.

(2) The Secretary of Health and Human Services and the Secretary of Labor shall enter into the agreement required by the amendment made by subsection (a) not later than 90 days after the date of the enactment of this Act.

Contracts.

SEC. 125. USE OF SOCIAL SECURITY NUMBER TO ESTABLISH IDENTITY OF PARENTS.

(a) **DISCLOSURE OF SOCIAL SECURITY NUMBER AT TIME OF CHILD’S BIRTH.**—Section 205(c)(2)(C) of the Social Security Act is amended—

42 USC 405.

(1) in clause (i)—

(A) by inserting “(I)” after “(i)”; and

(B) by adding at the end the following new subclause:

“(II) In the administration of any law involving the issuance of a birth certificate, each State shall require each parent to furnish to

Regulations.

such State (or political subdivision thereof) or any agency thereof having administrative responsibility for the law involved, the social security account number (or numbers, if the parent has more than one such number) issued to the parent unless the State (in accordance with regulations prescribed by the Secretary) finds good cause for not requiring the furnishing of such number. The State shall make numbers furnished under this subclause available to the agency administering the State's plan under part D of title IV in accordance with Federal or State law and regulation. Such numbers shall not be recorded on the birth certificate. A State shall not use any social security account number, obtained with respect to the issuance by the State of a birth certificate, for any purpose other than for the enforcement of child support orders in effect in the State, unless section 7(a) of the Privacy Act of 1974 does not prohibit the State from requiring the disclosure of such number, by reason of the State having adopted, before January 1, 1975, a statute or regulation requiring such disclosure.”; and

(2) in clause (ii)—

(A) by striking “clause (i) of this subparagraph” and inserting in lieu thereof “subclause (I) of clause (i)”;

(B) by adding at the end the following new sentence: “If and to the extent that any such provision is inconsistent with the requirement set forth in subclause (II) of clause (i), such provision shall, on and after the date of the enactment of such subclause, be null, void, and of no effect.”.

42 USC 405 note.

(b) **EFFECTIVE DATE.**—The amendments made by subsection (a) shall become effective on the first day of the 25th month which begins on or after the date of the enactment of this Act.

SEC. 126. COMMISSION ON INTERSTATE CHILD SUPPORT.

42 USC 666 note.

(a) **ESTABLISHMENT OF COMMISSION.**—There is hereby established a Commission to be known as the Commission on Interstate Child Support (in this section referred to as the “Commission”) to be composed of 15 members appointed in accordance with subsection (b)(1).

(b) **APPOINTMENT AND TERM OF MEMBERS; VACANCIES; TRANSACTION OF BUSINESS.**—(1) Members of the Commission shall be appointed as follows from among individuals knowledgeable in matters involving interstate child support:

(A) Four members shall be appointed jointly by the Majority and Minority Leaders of the Senate, in consultation with the chairman and ranking minority member of the Committee on Finance of the Senate.

(B) Four members shall be appointed jointly by the Speaker of the House and the Minority Leader of the House, in consultation with the chairman and ranking minority member of the Committee on Ways and Means of the House of Representatives.

(C) Seven members shall be appointed by the Secretary of Health and Human Services (in this section referred to as the “Secretary”).

(2) Members of the Commission shall serve for the life of the Commission. A vacancy on the Commission shall be filled in the manner in which the original appointment was made and shall not affect the powers or duties of the Commission.

(3) A majority of the members of the Commission shall constitute a quorum for the transaction of business. Decisions of the Commis-

sion shall be according to the vote of a simple majority of those present and voting at a properly called meeting.

(4) The members of the Commission shall be appointed by July 1, 1989. The first meeting of the Commission shall be called by the Secretary as promptly as possible after all such members are appointed. At such meeting, the members of the Commission shall select a chairman from among such members and shall meet thereafter at the call of the chairman or of a majority of the members.

(c) **BASIC PAY.**—(1) Members of the Commission shall serve as such without pay.

(2) Members of the Commission shall be allowed travel expenses, including a per diem allowance in lieu of subsistence, in the same manner as persons serving intermittently in the government service are allowed travel expenses under section 5703 of title 5 of the United States Code.

(d) **DUTIES OF THE COMMISSION.**—(1) During the fiscal year 1990, the Commission shall hold one or more national conferences on interstate child support reform for the purpose of assisting the Commission in preparing the report required under paragraph (2).

(2) Not later than May 1, 1991, the Commission shall submit a report to the Congress that contains recommendations for—

Reports.

(A) improving the interstate establishment and enforcement of child support awards, and

(B) revising the Uniform Reciprocal Enforcement of Support Act.

(e) **POWERS OF THE COMMISSION.**—(1) The Commission may use the United States mails in the same manner and upon the same conditions as other departments and agencies of the United States Government.

(2) The Commission may accept, use, and dispose of donations of money and property and may accept such volunteer services of individuals as it deems appropriate.

(3) The Commission may procure supplies, services, and property, and make contracts (but only to the extent or in such amounts as are provided in appropriation Acts).

(4) For purposes of carrying out its duties under subsection (d), the Commission may adopt such rules for its organization and procedures as it deems appropriate.

(f) **TERMINATION OF THE COMMISSION.**—(1) The Commission shall terminate on July 1, 1991.

(2) Any funds held by the Commission on the date of termination of the Commission shall be deposited in the general fund of the Treasury of the United States and credited as miscellaneous receipts. Any property (other than funds) held by the Commission on such date shall be disposed of as excess or surplus property.

(g) **AUTHORIZATION OF APPROPRIATIONS.**—For the purpose of carrying out this section, there is authorized to be appropriated \$2,000,000.

SEC. 127. COSTS OF INTERSTATE ENFORCEMENT DEMONSTRATIONS EXCLUDED IN COMPUTING INCENTIVE PAYMENTS.

Section 458(d) of the Social Security Act is amended by inserting immediately before the period at the end the following: “, and any amounts expended by the State in carrying out a special project assisted under section 455(e) shall be excluded”.

42 USC 658.

42 USC 667 note. **SEC. 128. STUDY OF CHILD-REARING COSTS.**Grants.
Contracts.

The Secretary of Health and Human Services shall, by grant or contract, conduct a study of the patterns of expenditures on children in 2-parent families, in single-parent families following divorce or separation, and in single-parent families in which the parents were never married, giving particular attention to the relative standards of living in households in which both parents and all of the children do not live together. The Secretary shall submit to the Congress no later than 2 years after the date of the enactment of this Act a full and complete report of the results of such study, including such recommendations as the Secretary may have for legislative, administrative, and other actions. There are authorized to be appropriated such sums as may be necessary to carry out this section.

Reports.

Appropriation
authorization.**SEC. 129. COLLECTION AND REPORTING OF CHILD SUPPORT ENFORCEMENT DATA.**

Part D of title IV of the Social Security Act is amended by adding at the end the following new section:

"COLLECTION AND REPORTING OF CHILD SUPPORT ENFORCEMENT DATA

42 USC 669.

"SEC. 469. (a) The Secretary of Health and Human Services shall collect and maintain, on a fiscal year basis, up-to-date statistics, by State, with respect to each of the services specified in subsection (b) (separately stated in the case of each such service for families receiving aid under plans approved under part A of title IV of the Social Security Act and for families not receiving such aid), on—

"(1) the number of cases in the child support enforcement agency caseload under part D of title IV of such Act which need the service involved; and

"(2) the number of such cases in which the service has actually been provided.

"(b) The services referred to in subsection (a) are—

"(1) paternity determination;

"(2) location of an absent parent for the purpose of establishing a child support obligation;

"(3) establishment of a child support obligation; and

"(4) location of an absent parent for the purpose of enforcing or modifying an established child support obligation.

"(c) For purposes of subsection (a)(2), a service has actually been provided when the task described by the service has been accomplished."

TITLE II—JOB OPPORTUNITIES AND BASIC SKILLS TRAINING PROGRAM

SEC. 201. ESTABLISHMENT AND OPERATION OF PROGRAM.

42 USC 602.

(a) **STATE PLAN REQUIREMENT.**—Section 402(a)(19) of the Social Security Act is amended to read as follows:

"(19) provide—

"(A) that the State has in effect and operation a job opportunities and basic skills training program which meets the requirements of part F;

"(B) that—

“(i) the State will (except as otherwise provided in this paragraph or part F), to the extent that the program is available in the political subdivision involved and State resources otherwise permit—

“(I) require all recipients of aid to families with dependent children in such subdivision with respect to whom the State guarantees child care in accordance with section 402(g) to participate in the program; and

“(II) allow applicants for and recipients of aid to families with dependent children who are not required under subclause (I) to participate in the program to do so on a voluntary basis;

“(ii) in determining the priority of participation by individuals from among those groups described in clauses (i), (ii), (iii), and (iv) of section 403(1)(2)(B), the State will give first consideration to applicants for or recipients of aid to families with dependent children within any such group who volunteer to participate in the program;

“(iii) if an exempt participant drops out of the program without good cause after having commenced participation in the program, he or she shall thereafter not be given priority so long as other individuals are actively seeking to participate; and

“(iv) the State need not require or allow participation of an individual in the program if as a result of such participation the amount payable to the State for quarters in a fiscal year with respect to the program would be reduced pursuant to section 403(1)(2);

“(C) that an individual may not be required to participate in the program if such individual—

“(i) is ill, incapacitated, or of advanced age;

“(ii) is needed in the home because of the illness or incapacity of another member of the household;

“(iii) subject to subparagraph (D)—

“(I) is the parent or other relative of a child under 3 years of age (or, if so provided in the State plan, under any age that is less than 3 years but not less than one year) who is personally providing care for the child, or

“(II) is the parent or other relative personally providing care for a child under 6 years of age, unless the State assures that child care in accordance with section 402(g) will be guaranteed and that participation in the program by the parent or relative will not be required for more than 20 hours a week;

“(iv) works 30 or more hours a week;

“(v) is a child who is under age 16 or attends, full-time, an elementary, secondary, or vocational (or technical) school;

“(vi) is pregnant if it has been medically verified that the child is expected to be born in the month in which such participation would otherwise be required or within the 6-month period immediately following such month; or

“(vii) resides in an area of the State where the program is not available;

“(D) that, in the case of a family eligible for aid to families with dependent children by reason of the unemployment of the parent who is the principal earner, subparagraph (C)(iii) shall apply only to one parent, except that, in the case of such a family, the State may at its option make such subparagraph inapplicable to both of the parents (and require their participation in the program) if child care in accordance with section 402(g) is guaranteed with respect to the family;

“(E) that—

“(i) to the extent that the program is available in the political subdivision involved and State resources otherwise permit, in the case of a custodial parent who has not attained 20 years of age, has not successfully completed a high-school education (or its equivalent), and is required to participate in the program (including an individual who would otherwise be exempt from participation in the program solely by reason of subparagraph (C)(iii)), the State agency (subject to clause (ii)) will require such parent to participate in an educational activity; and

“(ii) the State agency may—

“(I) require a parent described in clause (i) (notwithstanding the part-time requirement in subparagraph (C)(iii)(II)) to participate in educational activities directed toward the attainment of a high school diploma or its equivalent on a full-time (as defined by the educational provider) basis,

“(II) establish criteria in accordance with regulations of the Secretary under which custodial parents described in clause (i) who have not attained 18 years of age may be exempted from the school attendance requirement under such clause, or

“(III) require a parent described in clause (i) who is age 18 or 19 to participate in training or work activities (in lieu of the educational activities under such clause) if such parent fails to make good progress in successfully completing such educational activities or if it is determined (prior to any assignment of the individual to such educational activities) pursuant to an educational assessment that participation in such educational activities is inappropriate for such parent;

“(F) that—

“(i) if the parent or other caretaker relative or any dependent child in the family is attending (in good standing) an institution of higher education (as defined in section 481(a) of the Higher Education Act of 1965), or a school or course of vocational or technical training (not less than half time) consistent with the individual's employment goals, and is making satisfactory progress in such institution, school, or course, at the time he or she would otherwise commence participation in the program under this section, such attendance may constitute satisfactory participation in the pro-

gram (by that caretaker or child) so long as it continues and is consistent with such goals;

"(ii) any other activities in which an individual described in clause (i) participates may not be permitted to interfere with the school or training described in that clause;

"(iii) the costs of such school or training shall not constitute federally reimbursable expenses for purposes of section 403; and

"(iv) the costs of day care, transportation, and other services which are necessary (as determined by the State agency) for such attendance in accordance with section 402(g) are eligible for Federal reimbursement;

Day care.
Transportation.

"(G) that—

"(i) if an individual who is required by the provisions of this paragraph to participate in the program or who is so required by reason of the State's having exercised the option under subparagraph (D) fails without good cause to participate in the program or refuses without good cause to accept employment in which such individual is able to engage which is offered through the public employment offices of the State, or is otherwise offered by an employer if the offer of such employer is determined to be a bona fide offer of employment—

"(I) the needs of such individual (whether or not section 407 applies) shall not be taken into account in making the determination with respect to his or her family under paragraph (7) of this subsection, and if such individual is a parent or other caretaker relative, payments of aid for any dependent child in the family in the form of payments of the type described in section 406(b)(2) (which in such a case shall be without regard to clauses (A) through (D) thereof) will be made unless the State agency, after making reasonable efforts, is unable to locate an appropriate individual to whom such payments can be made; and

"(II) if such individual is a member of a family which is eligible for aid to families with dependent children by reason of section 407, and his or her spouse is not participating in the program, the needs of such spouse shall also not be taken into account in making such determination;

"(ii) any sanction described in clause (i) shall continue—

"(I) in the case of the individual's first failure to comply, until the failure to comply ceases;

"(II) in the case of the individual's second failure to comply, until the failure to comply ceases or 3 months (whichever is longer); and

"(III) in the case of any subsequent failure to comply, until the failure to comply ceases or 6 months (whichever is longer);

"(iii) the State will promptly remind any individual whose failure to comply has continued for 3 months, in

writing, of the individual's option to end the sanction by terminating such failure; and

"(iv) no sanction shall be imposed under this subparagraph—

"(I) on the basis of the refusal of an individual described in subparagraph (C)(iii)(II) to accept employment, if the employment would require such individual to work more than 20 hours a week, or

"(II) on the basis of the refusal of an individual to participate in the program or accept employment, if child care (or day care for any incapacitated individual living in the same home as a dependent child) is necessary for an individual to participate in the program or accept employment, such care is not available, and the State agency fails to provide such care; and

"(H) the State agency may require a participant in the program to accept a job only if such agency assures that the family of such participant will experience no net loss of cash income resulting from acceptance of the job; and any costs incurred by the State agency as a result of this subparagraph shall be treated as expenditures with respect to which section 403(a)(1) or 403(a)(2) applies;"

(b) **ESTABLISHMENT AND OPERATION OF PROGRAM.**—Title IV of such Act is further amended by adding at the end the following new part:

"PART F—JOB OPPORTUNITIES AND BASIC SKILLS TRAINING PROGRAM

"PURPOSE AND DEFINITIONS

42 USC 681.

"SEC. 481. (a) **PURPOSE.**—It is the purpose of this part to assure that needy families with children obtain the education, training, and employment that will help them avoid long-term welfare dependence.

"(b) **MEANING OF TERMS.**—Except to the extent otherwise specifically indicated, terms used in this part shall have the meanings given them in or under part A.

"ESTABLISHMENT AND OPERATION OF STATE PROGRAMS

42 USC 682.
Regulations.

"SEC. 482. (a) **STATE PLANS FOR JOB OPPORTUNITIES AND BASIC SKILLS TRAINING PROGRAMS.**—(1)(A) As a condition of its participation in the program of aid to families with dependent children under part A, each State shall establish and operate a job opportunities and basic skills training program (in this part referred to as the 'program') under a plan approved by the Secretary as meeting all of the requirements of this part and section 402(a)(19), and shall, in accordance with regulations prescribed by the Secretary, periodically (but not less frequently than every 2 years) review and update its plan and submit the updated plan for approval by the Secretary.

"(B) A State plan for establishing and operating the program must describe how the State intends to implement the program during the period covered by the plan, and must indicate, through cross-references to the appropriate provisions of this part and part A, that the program will be operated in accordance with such provision of law. In addition, such plan must contain (i) an estimate of the

number of persons to be served by the program, (ii) a description of the services to be provided within the State and the political subdivisions thereof, the needs to be addressed through the provision of such services, the extent to which such services are expected to be made available by other agencies on a nonreimbursable basis, and the extent to which such services are to be provided or funded by the program, and (iii) such additional information as the Secretary may require by regulation to enable the Secretary to determine that the State program will meet all of the requirements of this part and part A.

“(C) The Secretary shall consult with the Secretary of Labor on general plan requirements and on criteria to be used in approving State plans under this section.

“(D)(i) Not later than October 1, 1992, each State shall make the program available in each political subdivision of such State where it is feasible to do so, after taking into account the number of prospective participants, the local economy, and other relevant factors.

“(ii) If a State determines that it is not feasible to make the program available in each such subdivision, the State plan must provide appropriate justification to the Secretary.

“(2) The State agency that administers or supervises the administration of the State's plan approved under section 402 shall be responsible for the administration or supervision of the administration of the State's program.

“(3) Federal funds made available to a State for purposes of the program shall not be used to supplant non-Federal funds for existing services and activities which promote the purpose of this part. State or local funds expended for such purpose shall be maintained at least at the level of such expenditures for the fiscal year 1986.

“(b) **ASSESSMENT AND REVIEW OF NEEDS AND SKILLS OF PARTICIPANTS; EMPLOYABILITY PLAN.**—(1)(A) The State agency must make an initial assessment of the educational, child care, and other supportive services needs as well as the skills, prior work experience, and employability of each participant in the program under this part, including a review of the family circumstances. The agency may also review the needs of any child of the participant.

“(B) On the basis of such assessment, the State agency, in consultation with the participant, shall develop an employability plan for the participant. The employability plan shall explain the services that will be provided by the State agency and the activities in which the participant will take part under the program, including child care and other supportive services, shall set forth an employment goal for the participant, and shall, to the maximum extent possible and consistent with this section, reflect the respective preferences of such participant. The plan must take into account the participant's supportive services needs, available program resources, and local employment opportunities. The employability plan shall not be considered a contract.

“(2) Following the initial assessment and review and the development of the employability plan with respect to any participant in the program, the State agency may require the participant (or the adult caretaker in the family of which the participant is a member) to negotiate and enter into an agreement with the State agency that specifies such matters as the participant's obligations under the program, the duration of participation in the program, and the activities to be conducted and the services to be provided in the

course of such participation. If the State agency exercises the option under the preceding sentence, the State agency must give the participant such assistance as he or she may require in reviewing and understanding the agreement.

"(3) The State agency may assign a case manager to each participant and the participant's family. The case manager so assigned must be responsible for assisting the family to obtain any services which may be needed to assure effective participation in the program.

"(c) **PROVISION OF PROGRAM AND EMPLOYMENT INFORMATION.**—(1) The State agency must ensure that all applicants for and recipients of aid to families with dependent children are encouraged, assisted, and required to fulfill their responsibilities to support their children by preparing for, accepting, and retaining such employment as they are capable of performing.

"(2) The State agency must inform all applicants for and recipients of aid to families with dependent children of the education, employment, and training opportunities, and the support services (including child care and health coverage transition options), for which they are eligible, the obligations of the State agency, and the rights, responsibilities, and obligations of participants in the program.

"(3) The State agency must—

"(A) provide (directly or through arrangements with others) information on the types and locations of child care services reasonably accessible to participants in the program,

"(B) inform participants that assistance is available to help them select appropriate child care services, and

"(C) on request, provide assistance to participants in obtaining child care services.

"(4) The State agency must inform applicants for and recipients of aid to families with dependent children of the grounds for exemption from participation in the program and the consequences of refusal to participate if not exempt, and provide other appropriate information with respect to such participation.

"(5) Within one month after the State agency gives a recipient of aid to families with dependent children the information described in the preceding provisions of this paragraph, the State agency must notify such recipient of the opportunity to indicate his or her desire to participate in the program, including a clear description of how to enter the program.

"(d) **SERVICES AND ACTIVITIES UNDER THE PROGRAM.**—(1)(A) In carrying out the program, each State shall make available a broad range of services and activities to aid in carrying out the purpose of this part. Such services and activities—

"(i) shall include—

"(I) educational activities (as appropriate), including high school or equivalent education (combined with training as needed), basic and remedial education to achieve a basic literacy level, and education for individuals with limited English proficiency;

"(II) job skills training;

"(III) job readiness activities to help prepare participants for work; and

"(IV) job development and job placement; and

"(ii) must also include at least 2 of the following:

"(I) group and individual job search as described in subsection (g);

"(II) on-the-job training;

"(III) work supplementation programs as described in subsection (e); and

"(IV) community work experience programs as described in subsection (f) or any other work experience program approved by the Secretary.

"(B) The State may also offer to participants under the program (i) postsecondary education in appropriate cases, and (ii) such other education, training, and employment activities as may be determined by the State and allowed by regulations of the Secretary.

"(2) If the State requires an individual who has attained the age of 20 years and has not earned a high school diploma (or equivalent) to participate in the program, the State agency shall include educational activities consistent with his or her employment goals as a component of the individual's participation in the program, unless the individual demonstrates a basic literacy level, or the employability plan for the individual identifies a long-term employment goal that does not require a high school diploma (or equivalent). Any other services or activities to which such a participant is assigned may not be permitted to interfere with his or her participation in an appropriate educational activity under this subparagraph.

"(3) Notwithstanding any other provision of this section, the Secretary shall permit up to 5 States to provide services under the program, on a voluntary or mandatory basis, to non-custodial parents who are unemployed and unable to meet their child support obligations. Any State providing services to non-custodial parents pursuant to this paragraph shall evaluate the provision of such services, giving particular attention to the extent to which the provision of such services to those parents is contributing to the achievement of the purpose of this part, and shall report the results of such evaluation to the Secretary.

Reports.

"(e) WORK SUPPLEMENTATION PROGRAM.—(1) Any State may institute a work supplementation program under which such State, to the extent it considers appropriate, may reserve the sums that would otherwise be payable to participants in the program as aid to families with dependent children and use such sums instead for the purpose of providing and subsidizing jobs for such participants (as described in paragraph (3)(C) (i) and (ii)), as an alternative to the aid to families with dependent children that would otherwise be so payable to them.

"(2)(A) Notwithstanding section 406 or any other provision of law, Federal funds may be paid to a State under part A, subject to this subsection, with respect to expenditures incurred in operating a work supplementation program under this subsection.

"(B) Nothing in this part, or in any State plan approved under part A, shall be construed to prevent a State from operating (on such terms and conditions and in such cases as the State may find to be necessary or appropriate) a work supplementation program in accordance with this subsection and section 484.

"(C) Notwithstanding section 402(a)(23) or any other provision of law, a State may adjust the levels of the standards of need under the State plan as the State determines to be necessary and appropriate for carrying out a work supplementation program under this subsection.

"(D) Notwithstanding section 402(a)(1) or any other provision of law, a State operating a work supplementation program under this subsection may provide that the need standards in effect in those areas of the State in which such program is in operation may be different from the need standards in effect in the areas in which such program is not in operation, and such State may provide that the need standards for categories of recipients may vary among such categories to the extent the State determines to be appropriate on the basis of ability to participate in the work supplementation program.

"(E) Notwithstanding any other provision of law, a State may make such further adjustments in the amounts of the aid to families with dependent children paid under the plan to different categories of recipients (as determined under subparagraph (D)) in order to offset increases in benefits from needs-related programs (other than the State plan approved under part A) as the State determines to be necessary and appropriate to further the purposes of the work supplementation program.

"(F) In determining the amounts to be reserved and used for providing and subsidizing jobs under this subsection as described in paragraph (1), the State may use a sampling methodology.

"(G) Notwithstanding section 402(a)(8) or any other provision of law, a State operating a work supplementation program under this subsection (i) may reduce or eliminate the amount of earned income to be disregarded under the State plan as the State determines to be necessary and appropriate to further the purposes of the work supplementation program, and (ii) during one or more of the first 9 months of an individual's employment pursuant to a program under this section, may apply to the wages of the individual the provisions of subparagraph (A)(iv) of section 402(a)(8) without regard to the provisions of subparagraph (B)(ii)(II) of such section.

"(3)(A) A work supplementation program operated by a State under this subsection may provide that any individual who is an eligible individual (as determined under subparagraph (B)) shall take a supplemented job (as defined in subparagraph (C)) to the extent that supplemented jobs are available under the program. Payments by the State to individuals or to employers under the work supplementation program shall be treated as expenditures incurred by the State for aid to families with dependent children except as limited by paragraph (4).

"(B) For purposes of this subsection, an eligible individual is an individual who is in a category which the State determines should be eligible to participate in the work supplementation program, and who would, at the time of placement in the job involved, be eligible for aid to families with dependent children under an approved State plan if such State did not have a work supplementation program in effect.

"(C) For purposes of this section, a supplemented job is—

"(i) a job provided to an eligible individual by the State or local agency administering the State plan under part A; or

"(ii) a job provided to an eligible individual by any other employer for which all or part of the wages are paid by such State or local agency.

A State may provide or subsidize under the program any job which such State determines to be appropriate.

"(D) At the option of the State, individuals who hold supplemented jobs under a State's work supplementation program shall be

exempt from the retrospective budgeting requirements imposed pursuant to section 402(a)(13)(A)(ii) (and the amount of the aid which is payable to the family of any such individual for any month, or which would be so payable but for the individual's participation in the work supplementation program, shall be determined on the basis of the income and other relevant circumstances in that month).

"(4) The amount of the Federal payment to a State under section 403 for expenditures incurred in making payments to individuals and employers under a work supplementation program under this subsection shall not exceed an amount equal to the amount which would otherwise be payable under such section if the family of each individual employed in the program established in such State under this subsection had received the maximum amount of aid to families with dependent children payable under the State plan to such a family with no income (without regard to adjustments under paragraph (2)) for the lesser of (A) 9 months, or (B) the number of months in which such individual was employed in such program.

"(5)(A) Nothing in this subsection shall be construed as requiring the State or local agency administering the State plan to provide employee status to an eligible individual to whom it provides a job under the work supplementation program (or with respect to whom it provides all or part of the wages paid to the individual by another entity under such program), or as requiring any State or local agency to provide that an eligible individual filling a job position provided by another entity under such program be provided employee status by such entity during the first 13 weeks such individual fills that position.

"(B) Wages paid under a work supplementation program shall be considered to be earned income for purposes of any provision of law.

Wages.

"(6) Any State that chooses to operate a work supplementation program under this subsection shall provide that any individual who participates in such program, and any child or relative of such individual (or other individual living in the same household as such individual) who would be eligible for aid to families with dependent children under the State plan approved under part A if such State did not have a work supplementation program, shall be considered individuals receiving aid to families with dependent children under the State plan approved under part A for purposes of eligibility for medical assistance under the State plan approved under title XIX.

"(7) No individual receiving aid to families with dependent children under a State plan shall be excused by reason of the fact that such State has a work supplementation program from any requirement of this part relating to work requirements, except during periods in which such individual is employed under such work supplementation program.

"(f) COMMUNITY WORK EXPERIENCE PROGRAM.—(1)(A) Any State may establish a community work experience program in accordance with this subsection. The purpose of the community work experience program is to provide experience and training for individuals not otherwise able to obtain employment, in order to assist them to move into regular employment. Community work experience programs shall be designed to improve the employability of participants through actual work experience and training and to enable individuals employed under community work experience programs to move promptly into regular public or private employment. The facilities of the State public employment offices may be utilized to find

employment opportunities for recipients under this program. Community work experience programs shall be limited to projects which serve a useful public purpose in fields such as health, social service, environmental protection, education, urban and rural development and redevelopment, welfare, recreation, public facilities, public safety, and day care. To the extent possible, the prior training, experience, and skills of a recipient shall be used in making appropriate work experience assignments.

“(B)(i) A State that elects to establish a community work experience program under this subsection shall operate such program so that each participant (as determined by the State) either works or undergoes training (or both) with the maximum number of hours that any such individual may be required to work in any month being a number equal to the amount of the aid to families with dependent children payable with respect to the family of which such individual is a member under the State plan approved under this part, divided by the greater of the Federal minimum wage or the applicable State minimum wage (and the portion of a recipient's aid for which the State is reimbursed by a child support collection shall not be taken into account in determining the number of hours that such individual may be required to work).

“(ii) After an individual has been assigned to a position in a community work experience program under this subsection for 9 months, such individual may not be required to continue in that assignment unless the maximum number of hours of participation is no greater than (I) the amount of the aid to families with dependent children payable with respect to the family of which such individual is a member under the State plan approved under this part (excluding any portion of such aid for which the State is reimbursed by a child support payment), divided by (II) the higher of (a) the Federal minimum wage or the applicable State minimum wage, whichever is greater, or (b) the rate of pay for individuals employed in the same or similar occupations by the same employer at the same site.

“(C) Nothing contained in this subsection shall be construed as authorizing the payment of aid to families with dependent children as compensation for work performed, nor shall a participant be entitled to a salary or to any other work or training expense provided under any other provision of law by reason of his participation in a program under this subsection.

“(D) Nothing in this part or in any State plan approved under this part shall be construed to prevent a State from operating (on such terms and conditions and in such cases as the State may find to be necessary or appropriate) a community work experience program in accordance with this subsection and subsection (d).

“(E) Participants in community work experience programs under this subsection may perform work in the public interest (which otherwise meets the requirements of this subsection) for a Federal office or agency with its consent, and, notwithstanding section 1342 of title 31, United States Code, or any other provision of law, such agency may accept such services, but such participants shall not be considered to be Federal employees for any purpose.

“(2) After each 6 months of an individual's participation in a community work experience program under this subsection, and at the conclusion of each assignment of the individual under such program, the State agency must provide a reassessment and revision, as appropriate, of the individual's employability plan.

"(3) The State agency shall provide coordination among a community work experience program operated pursuant to this subsection, any program of job search under subsection (g), and the other employment-related activities under the program established by this section so as to insure that job placement will have priority over participation in the community work experience program, and that individuals eligible to participate in more than one such program are not denied aid to families with dependent children on the grounds of failure to participate in one such program if they are actively and satisfactorily participating in another. The State agency may provide that part-time participation in more than one such program may be required where appropriate.

"(4) In the case of any State that makes expenditures in the form described in paragraph (1) under its State plan approved under section 482(a)(1), expenditures for the operation and administration of the program under this section may not include, for purposes of section 403, the cost of making or acquiring materials or equipment in connection with the work performed under a program referred to in paragraph (1) or the cost of supervision of work under such program, and may include only such other costs attributable to such programs as are permitted by the Secretary.

"(g) **JOB SEARCH PROGRAM.**—(1) The State agency may establish and carry out a program of job search for individuals participating in the program under this part.

"(2) Notwithstanding section 402(a)(19)(B)(i), the State agency may require job search by an individual applying for or receiving aid to families with dependent children (other than an individual described in section 402(a)(19)(C) who is not an individual with respect to whom section 402(a)(19)(D) applies)—

"(A) subject to the next to last sentence of this paragraph, beginning at the time such individual applies for aid to families with dependent children and continuing for a period (prescribed by the State) of not more than 8 weeks (but this requirement may not be used as a reason for any delay in making a determination of an individual's eligibility for such aid or in issuing a payment to or on behalf of any individual who is otherwise eligible for such aid); and

"(B) at such time or times after the close of the period prescribed under subparagraph (A) as the State agency may determine but not to exceed a total of 8 weeks in any period of 12 consecutive months.

In no event may an individual be required to participate in job search for more than 3 weeks before the State agency conducts the assessment and review with respect to such individual under subsection (b)(1)(A). Job search activities in addition to those required under the preceding provisions of this paragraph may be required only in combination with some other education, training, or employment activity which is designed to improve the individual's prospects for employment.

"(3) Job search by an individual under this subsection shall in no event be treated, for any purpose, as an activity under the program if the individual has participated in such job search for 4 months out of the preceding 12 months.

"(h) **DISPUTE RESOLUTION PROCEDURES.**—Each State shall establish a conciliation procedure for the resolution of disputes involving an individual's participation in the program and (if the dispute involved is not resolved through conciliation) shall provide an oppor-

tunity for a hearing with respect to the dispute, which hearing may be provided through a hearing process established for purposes of resolving disputes with respect to the program or through the provision of a hearing pursuant to section 402(a)(4); but in no event shall aid to families with dependent children be suspended, reduced, discontinued, or terminated as a result of a dispute involving an individual's participation in the program until such individual has an opportunity for a hearing that meets the standards set forth by the United States Supreme Court in *Goldberg v. Kelly*, 397 U.S. 254 (1970).

Alaska.

"(i) **SPECIAL PROVISIONS RELATING TO INDIAN TRIBES.**—(1) Within 6 months after the date of the enactment of the Family Support Act of 1988, an Indian tribe or Alaska Native organization may apply to the Secretary to conduct a job opportunities and basic skills training program to carry out the purpose of this subsection. If the Secretary approves such tribe's or organization's application, the maximum amount that may be paid to the State under section 403(l) in which such tribe or organization is located shall be reduced by the Secretary in accordance with paragraph (2) and an amount equal to the amount of such reduction shall be paid directly to such tribe or organization (without the requirement of any nonfederal share) for the operation of such program. In determining whether to approve an application from an Alaska Native organization, the Secretary shall consider whether approval of the application would promote the efficient and nonduplicative administration of job opportunities and basic skills training programs in the State.

"(2) The amount of the reduction under paragraph (1) with respect to any State in which is located an Indian tribe or Alaska Native organization with an application approved under such paragraph shall be an amount equal to the amount that bears the same ratio to the maximum amount that could be paid under section 403(l) to the State as—

"(A) the number of adult members of such Indian tribe receiving aid to families with dependent children bears to the number of all such adult recipients in the State, or

"(B) the number of adult Alaska Natives receiving aid to families with dependent children who reside within the boundaries of such Alaska Native organization bears to the number of all such adult recipients in the State of Alaska.

"(3) The job opportunities and basic skills training program set forth in the application of an Indian tribe or Alaska Native organization under paragraph (1) need not meet any requirement of the program under this part or under section 402(a)(19) that the Secretary determines is inappropriate with respect to such job opportunities and basic skills training program.

"(4) The job opportunities and basic skills training program of any Indian tribe or Alaska Native organization may be terminated voluntarily by such tribe or Alaska Native organization or may be terminated by the Secretary upon a finding that the tribe or Alaska Native organization is not conducting such program in substantial conformity with the terms of the application approved by the Secretary, and the maximum amount that may be paid under section 403(l) to the State within which the tribe or Alaska Native organization is located (as reduced pursuant to paragraph (1)) shall be increased by any portion of the amount retained by the Secretary with respect to such program (and not payable to such tribe or Alaska Native organization for obligations already incurred). The

reduction under paragraph (1) shall in no event apply to a State for any fiscal year beginning after such program is terminated if no other such program remains in operation in the State.

"(5) For purposes of this subsection, an Indian tribe is any tribe, band, nation, or other organized group or community of Indians that—

"(A) is recognized as eligible for the special programs and services provided by the United States to Indians because of their status as Indians; and

"(B) for which a reservation (as defined in paragraph (6)) exists.

"(6) For purposes of this subsection, a reservation includes Indian reservations, public domain Indian allotments, and former Indian reservations in Oklahoma.

"(7) For purposes of this subsection—

"(A) an Alaska Native organization is any organized group of Alaska Natives eligible to operate a Federal program under Public Law 93-638 or such group's designee;

"(B) the boundaries of an Alaska Native organization shall be those of the geographical region, established pursuant to section 7(a) of the Alaska Native Claims Settlement Act, within which the Alaska Native organization is located (without regard to the ownership of the land within the boundaries);

"(C) the Secretary may approve only one application from an Alaska Native organization for each of the 12 geographical regions established pursuant to section 7(a) of the Alaska Native Claims Settlement Act; and

"(D) any Alaska Native, otherwise eligible or required to participate in a job opportunities and basic skills training program, residing within the boundaries of an Alaska Native organization whose application has been approved by the Secretary, shall be eligible to participate in the job opportunities and basic skills training program administered by such Alaska Native organization.

"(8) Nothing in this subsection shall be construed to grant or defer any status or powers other than those expressly granted in this subsection or to validate or invalidate any claim by Alaska Natives of sovereign authority over lands or people.

"COORDINATION REQUIREMENTS

"Sec. 483. (a)(1) The Governor of each State shall assure that program activities under this part are coordinated in that State with programs operated under the Job Training Partnership Act and with any other relevant employment, training, and education programs available in that State. Appropriate components of the State's plan developed under section 482(a)(1) which relate to job training and work preparation shall be consistent with the coordination criteria specified in the Governor's coordination and special services plan required under section 121 of the Job Training Partnership Act.

"(2) The State plan so developed shall be submitted to the State job training coordinating council not less than 60 days before its submission to the Secretary, for the purpose of review and comment by the council. Concurrent with submission of the plan to the State job training coordinating council, the proposed State plan shall be published and made reasonably available to the general public

42 USC 683.

Public
information.

through local news facilities and public announcements, in order to provide the opportunity for review and comment.

"(3) The comments and recommendations of the State job training coordinating council under paragraph (2) shall be transmitted to the Governor of the State.

"(b) The Secretary of Health and Human Services shall consult with the Secretaries of Education and Labor on a continuing basis for the purpose of assuring the maximum coordination of education and training services in the development and implementation of the program under this part.

"(c) The State agency responsible for administering or supervising the administration of the State plan approved under part A shall consult with the State education agency and the agency responsible for administering job training programs in the State in order to promote coordination of the planning and delivery of services under the program with programs operated under the Job Training Partnership Act and with education programs available in the State (including any program under the Adult Education Act or Carl D. Perkins Vocational Education Act).

"PROVISIONS GENERALLY APPLICABLE TO PROVISION OF SERVICES

42 USC 684.

"SEC. 484. (a) In assigning participants in the program under this part to any program activity, the State agency shall assure that—

"(1) each assignment takes into account the physical capacity, skills, experience, health and safety, family responsibilities, and place of residence of the participant;

"(2) no participant will be required, without his or her consent, to travel an unreasonable distance from his or her home or remain away from such home overnight;

Discrimination,
prohibition.

"(3) individuals are not discriminated against on the basis of race, sex, national origin, religion, age, or handicapping condition, and all participants will have such rights as are available under any applicable Federal, State, or local law prohibiting discrimination;

"(4) the conditions of participation are reasonable, taking into account in each case the proficiency of the participant and the child care and other supportive services needs of the participant; and

"(5) each assignment is based on available resources, the participant's circumstances, and local employment opportunities.

Wages.
Claims.

"(b) Appropriate workers' compensation and tort claims protection must be provided to participants on the same basis as they are provided to other individuals in the State in similar employment (as determined under regulations of the Secretary).

Contracts.
Wages.

"(c) No work assignment under the program shall result in—

"(1) the displacement of any currently employed worker or position (including partial displacement such as a reduction in the hours of nonovertime work, wages, or employment benefits), or result in the impairment of existing contracts for services or collective bargaining agreements;

"(2) the employment or assignment of a participant or the filling of a position when (A) any other individual is on layoff from the same or any equivalent position, or (B) the employer has terminated the employment of any regular employee or otherwise reduced its workforce with the effect of filling the

vacancy so created with a participant subsidized under the program; or

"(3) any infringement of the promotional opportunities of any currently employed individual.

Funds available to carry out the program under this part may not be used to assist, promote, or deter union organizing. No participant may be assigned under section 482 (e) or (f) to fill any established unfilled position vacancy.

"(d)(1) The State shall establish and maintain (pursuant to regulations jointly issued by the Secretary and the Secretary of Labor) a grievance procedure for resolving complaints by regular employees or their representatives that the work assignment of an individual under the program violates any of the prohibitions described in subsection (c). A decision of the State under such procedure may be appealed to the Secretary of Labor for investigation and such action as such Secretary may find necessary.

"(2) The State shall hear complaints with respect to working conditions and workers' compensation, and wage rates in the case of individuals participating in community work experience programs described in section 482(f), under the State's fair hearing process. A decision of the State under such process may be appealed to the Secretary of Labor under such conditions as the joint regulations issued under subsection (f) may provide.

Wages.

"(e) The provisions of this section apply to any work-related programs and activities under this part, and under any other work-related programs and activities authorized (in connection with the AFDC program) under section 1115.

"(f) The Secretary of Health and Human Services and the Secretary of Labor shall jointly prescribe and issue regulations for the purpose of implementing and carrying out the provisions of this section, in accordance with the timetable established in section 203(a) of the Family Support Act of 1988.

Regulations.

"CONTRACT AUTHORITY

"Sec. 485. (a) The State agency that administers or supervises the administration of the State's plan approved under section 402 shall carry out the programs under this part directly or through arrangements or under contracts with administrative entities under section 4(2) of the Job Training Partnership Act, with State and local educational agencies, and with other public agencies or private organizations (including community-based organizations as defined in section 4(5) of such Act).

42 USC 685.

"(b) Arrangements and contracts entered into under subsection (a) may cover any service or activity (including outreach) to be made available under the program to the extent that the service or activity is not otherwise available on a nonreimbursable basis.

"(c) The State agency and private industry councils (as established under section 102 of the Job Training Partnership Act) shall consult on the development of arrangements and contracts under the program established under a plan approved under section 482(a)(1), and under programs established under such Act.

"(d) In selecting service providers, the State agency shall take into account appropriate factors which may include past performance in providing similar services, demonstrated effectiveness, fiscal accountability, ability to meet performance standards, and such other factors as the State may determine to be appropriate.

"(e) The State agency shall use the services of each private industry council to identify and provide advice on the types of jobs available or likely to become available in the service delivery area (as defined in the Job Training Partnership Act) of the council, and shall ensure that the State program provides training in any area for jobs of a type which are, or are likely to become, available in the area.

"INITIAL STATE EVALUATIONS

42 USC 686.

"SEC. 486. (a) With the objective of—

"(1) providing an in-depth assessment of potential participants in the program under this part in each State, so as to furnish an accurate picture on which to base estimates of future demands for services in conducting such program and to improve the efficiency of targeting under such program,

"(2) assuring that training for recipients of aid under such program will be realistically geared to labor market demands and that the program will produce individuals with marketable skills, while avoiding duplication and redundancy in the delivery of services, and

Effective date.

"(3) otherwise assuring that States will have the information needed to carry out the purposes of the program,

each State may undertake and carry out an evaluation of demographic characteristics of potential participants in the program under this part within the 12-month period beginning on the date of the enactment of the Family Support Act of 1988. Such evaluation shall be carried out in each State by the agency which administers the State's program approved under section 402.

"(b) In carrying out the evaluation under subsection (a) the State shall give particular attention to the current and anticipated demands of the labor market or markets within the State, the types of training which are needed to meet those demands, and any changes in the current service delivery systems which may be needed to satisfy the requirements of the program under this part.

"(c) The evaluation shall be structured so as to produce accurate and usable information on the age, family status, educational and literacy levels, duration of eligibility for aid to families with dependent children, and work experience of the individuals and families who are potential participants in the program under this part, including the actual numbers of such individuals and families in each such category.

"(d) The Secretary of Health and Human Services, in consultation with the Secretary of Labor, shall provide each State with such technical assistance and data as it may need in order to carry out its evaluation under subsection (a); and each State shall transmit its evaluation to the Secretary by the close of the 12-month period specified in such subsection. The Secretary of Health and Human Services shall take such evaluations into account in developing performance standards.

"(e) As used in this section, the term 'potential participants' with respect to any State's program under this part means collectively all individuals in such State who are recipients of aid to families with dependent children under part A and who are members of the target populations identified in section 403(1)(2)."

42 USC 603.

(c) SEPARATE FUNDING FOR JOBS PROGRAM; FEDERAL FINANCIAL PARTICIPATION.—(1) Section 403 of such Act is amended by adding at the end the following new subsection:

"(k)(1) Each State with a plan approved under part F shall be entitled to payments under subsection (1) for any fiscal year in an amount equal to the sum of the applicable percentages (specified in such subsection) of its expenditures to carry out the program under part F (subject to limitations prescribed by or pursuant to such part or this section on expenditures that may be included for purposes of determining payment under subsection (1)), but such payments for any fiscal year in the case of any State may not exceed the limitation determined under paragraph (2) with respect to the State.

"(2) The limitation determined under this paragraph with respect to a State for any fiscal year is—

"(A) the amount allotted to the State for fiscal year 1987 under part C of this title as then in effect, plus

"(B) the amount that bears the same ratio to the amount specified in paragraph (3) for such fiscal year as the average monthly number of adult recipients (as defined in paragraph (4)) in the State in the preceding fiscal year bears to the average monthly number of such recipients in all the States for such preceding year.

"(3) The amount specified in this paragraph is—

"(A) \$600,000,000 in the case of the fiscal year 1989,

"(B) \$800,000,000 in the case of the fiscal year 1990,

"(C) \$1,000,000,000 in the case of each of the fiscal years 1991, 1992, and 1993,

"(D) \$1,100,000,000 in the case of the fiscal year 1994,

"(E) \$1,300,000,000 in the case of the fiscal year 1995, and

"(F) \$1,000,000,000 in the case of the fiscal year 1996 and each succeeding fiscal year,

reduced by the aggregate amount allotted to all the States for fiscal year 1987 pursuant to part C of this title as then in effect.

"(4) For purposes of this subsection, the term 'adult recipient' in the case of any State means an individual other than a dependent child (unless such child is the custodial parent of another dependent child) whose needs are met (in whole or in part) with payments of aid to families with dependent children.

"(5) None of the funds available to a State for purposes of the programs or activities conducted under part F shall be used for construction."

(2) Section 403 of such Act (as amended by paragraph (1) of this subsection) is further amended by adding at the end the following new subsection:

"(1)(1)(A) In lieu of any payment under subsection (a), the Secretary shall pay to each State with a plan approved under section 482(a) (subject to the limitation determined under section 482(i)(2)) with respect to expenditures by the State to carry out a program under part F (including expenditures for child care under section 402(g)(1)(A), but only in the case of a State with respect to which section 1108 applies), an amount equal to—

"(i) with respect to so much of such expenditures in a fiscal year as do not exceed the State's expenditures in the fiscal year 1987 with respect to which payments were made to such State from its allotment for such fiscal year pursuant to part C of this title as then in effect, 90 percent; and

"(ii) with respect to so much of such expenditures in a fiscal year as exceed the amount described in clause (i)—

"(I) 50 percent, in the case of expenditures for administrative costs made by a State in operating such a program for

such fiscal year (other than the personnel costs for staff employed full-time in the operation of such program) and the costs of transportation and other work-related supportive services under section 402(g)(2), and

“(II) the greater of 60 percent or the Federal medical assistance percentage (as defined in section 1118 in the case of any State to which section 1108 applies, or as defined in section 1905(b) in the case of any other State), in the case of expenditures made by a State in operating such a program for such fiscal year (other than for costs described in subclause (I)).

“(B) With respect to the amount for which payment is made to a State under subparagraph (A)(i), the State’s expenditures for the costs of operating a program established under part F may be in cash or in kind, fairly evaluated.

“(2)(A) Notwithstanding paragraph (1), the Secretary shall pay to a State an amount equal to 50 percent of the expenditures made by such State in operating its program established under part F (in lieu of any different percentage specified in paragraph (1)(A)) if less than 55 percent of such expenditures are made with respect to individuals who are described in subparagraph (B).

“(B) An individual is described in this paragraph if the individual—

“(i)(I) is receiving aid to families with dependent children, and

“(II) has received such aid for any 36 of the preceding 60 months;

“(ii)(I) makes application for aid to families with dependent children, and

“(II) has received such aid for any 36 of the 60 months immediately preceding the most recent month for which application has been made;

“(iii) is a custodial parent under the age of 24 who (I) has not completed a high school education and, at the time of application for aid to families with dependent children, is not enrolled in high school (or a high school equivalency course of instruction), or (II) had little or no work experience in the preceding year; or

“(iv) is a member of a family in which the youngest child is within 2 years of being ineligible for aid to families with dependent children because of age.

“(C) This paragraph may be waived by the Secretary with respect to any State which demonstrates to the satisfaction of the Secretary that the characteristics of the caseload in that State make it infeasible to meet the requirements of this paragraph, and that the State is targeting other long-term or potential long-term recipients.

“(D) The Secretary shall biennially submit to the Congress any recommendations for modifications or additions to the groups of individuals described in subparagraph (B) that the Secretary determines would further the goal of assisting long-term or potential long-term recipients of aid to families with dependent children to achieve self-sufficiency, which recommendations shall take into account the particular characteristics of the populations of individual States.

“(3)(A) Notwithstanding paragraph (1), the Secretary shall pay to a State an amount equal to 50 percent of the expenditures made by such State in a fiscal year in operating its program established under part F (in lieu of any different percentage specified in para-

graph (1)(A)) if the State's participation rate (determined under subparagraph (B)) for the preceding fiscal year does not exceed or equal—

“(i) 7 percent if the preceding fiscal year is 1990;

“(ii) 7 percent if such year is 1991;

“(iii) 11 percent if such year is 1992;

“(iv) 11 percent if such year is 1993;

“(v) 15 percent if such year is 1994; and

“(vi) 20 percent if such year is 1995.

“(B)(i) The State's participation rate for a fiscal year shall be the average of its participation rates for computation periods (as defined in clause (ii)) in such fiscal year.

“(ii) The computation periods shall be—

“(I) the fiscal year, in the case of fiscal year 1990,

“(II) the first six months, and the seventh through twelfth months, in the case of fiscal year 1991,

“(III) the first three months, the fourth through sixth months, the seventh through ninth months, and the tenth through twelfth months, in the case of fiscal years 1992 and 1993, and

“(IV) each month, in the case of fiscal years 1994 and 1995.

“(iii) The State's participation rate for a computation period shall be the number, expressed as a percentage, equal to—

“(I) the average monthly number of individuals required or allowed by the State to participate in the program under part F who have participated in such program in months in the computation period, plus the number of individuals required or allowed by the State to participate in such program who have so participated in that month in such period for which the number of such participants is the greatest, divided by

“(II) twice the average monthly number of individuals required to participate in such period (other than individuals described in subparagraph (C)(iii)(I) or (D) of section 402(a)(19) with respect to whom the State has exercised its option to require their participation).

For purposes of this subparagraph, an individual shall not be considered to have satisfactorily participated in the program under part F solely by reason of such individual being registered to participate in such program.

“(C) Notwithstanding any other provision of this paragraph, no State shall be subject to payment under this paragraph (in lieu of paragraph (1)(A)) for failing to meet any participation rate required under this paragraph with respect to any fiscal year before 1991.

“(D) For purposes of this paragraph, an individual shall be determined to have participated in the program under part F, if such individual has participated in accordance with such requirements, consistent with regulations of the Secretary, as the State shall establish.

“(E) If the Secretary determines that the State has failed to achieve the participation rate for any fiscal year specified in the numbered clauses of subparagraph (A), he may waive, in whole or in part, the reduction in the payment rate otherwise required by such subparagraph if he finds that—

“(i) the State is in conformity with section 402(a)(19) and part F;

“(ii) the State has made a good faith effort to achieve the applicable participation rate for such fiscal year; and

“(iii) the State has submitted a proposal which is likely to achieve the applicable participation rate for the current fiscal year and the subsequent fiscal years (if any) specified therein.

“(4)(A)(i) Subject to subparagraph (B), in the case of any family eligible for aid to families with dependent children by reason of the unemployment of the parent who is the principal earner, the State agency shall require that at least one parent in any such family participate, for a total of at least 16 hours a week during any period in which either parent is required to participate in the program, in a work supplementation program, a community work experience or other work experience program, on-the-job training, or a State designed work program approved by the Secretary, as such programs are described in section 482(d)(1). In the case of a parent under age 25 who has not completed high school or an equivalent course of education, the State may require such parent to participate in educational activities directed at the attainment of a high school diploma (or equivalent) or another basic education program in lieu of one or more of the programs specified in the preceding sentence.

“(ii) For purposes of clause (i), an individual participating in a community work experience program under section 482 shall be considered to have met the requirement of such clause if he participates for the number of hours in any month equal to the monthly payment of aid to families with dependent children to the family of which he is a member, divided by the greater of the Federal or the applicable State minimum wage (and the portion of such monthly payment for which the State is reimbursed by a child support collection shall not be taken into account in determining the number of hours that such individual may be required to work).

“(B) The requirement under subparagraph (A) shall not be considered to have been met by any State if the requirement is not met with respect to the following percentages of all families in the State eligible for aid to families with dependent children by reason of the unemployment of the parent who is the principal earner:

“(i) 40 percent, in the case of the average of each month in fiscal year 1994,

“(ii) 50 percent, in the case of the average of each month in fiscal year 1995,

“(iii) 60 percent, in the case of the average of each month in fiscal year 1996, and

“(iv) 75 percent in the case of the average of each month in each of the fiscal years 1997 and 1998.

“(C) The percentage of participants for any month in a fiscal year for purposes of the preceding sentence shall equal the average of—

“(i) the number of individuals described in subparagraph (A)(i) who have met the requirement prescribed therein, divided by

“(ii) the total number of principal earners described in such subparagraph (but excluding those in families who have been recipients of aid for 2 months or less if, during the period that the family received aid, at least one parent engaged in intensive job search).

“(D) If the Secretary determines that the State has failed to meet the requirement under subparagraph (A) (determined with respect to the percentages prescribed in subparagraph (B)), he may waive, in whole or in part, any penalty if he finds that—

“(i) the State is operating a program in conformity with section 402(a)(19) and part F,

“(ii) the State has made a good faith effort to meet the requirement of subparagraph (A) but has been unable to do so because of economic conditions in the State (including significant numbers of recipients living in remote locations or isolated rural areas where the availability of work sites is severely limited), or because of rapid and substantial increases in the caseload that cannot reasonably be planned for, and

Rural areas.

“(iii) the State has submitted a proposal which is likely to achieve the required percentage of participants for the subsequent fiscal years.”

(d) **STATE EXPENDITURES TO CARRY OUT INITIAL EVALUATIONS.**—Section 403(a)(3)(D) of such Act (as amended by section 202(b)(4) of this Act) is further amended by inserting “(including any amounts expended by the State to carry out initial evaluations under section 486(a))” after “such expenditures”.

42 USC 603.

SEC. 202. TECHNICAL AND CONFORMING AMENDMENTS.

(a) **REPEAL OF PART C OF TITLE IV.**—Part C of title IV of the Social Security Act is repealed.

42 USC 630 *et seq.*

(b) **CHANGES IN PART A OF TITLE IV.**—(1) Section 402(a)(8)(A)(iv) of such Act is amended by striking “(but excluding” and all that follows and inserting in lieu thereof a semicolon.

42 USC 602.

(2) Section 402(a)(9)(A) of such Act is amended—

(A) by inserting “(including activities under part F)” after “this part”; and

(B) by striking “B, C, or D” and inserting in lieu thereof “B or D”.

(3) Section 402(a)(35) of such Act is repealed.

(4) Section 403(a)(3) of such Act is amended—

(A) by striking all of subparagraph (D) that follows “such expenditures” and inserting in lieu thereof “; and”; and

(B) in the matter immediately following subparagraph (D), by striking “services furnished” and all that follows through the semicolon and inserting in lieu thereof “services furnished pursuant to section 402(g).”.

(5) Section 403(c) of such Act is repealed.

(6) Section 403(d) of such Act is repealed.

(7) Section 407(b)(2)(A) of such Act is amended by striking “will be certified” and all that follows through “within 30 days” and inserting in lieu thereof “will participate or apply for participation in a program under part F (unless the program is not available in the area where the parent is living) within 30 days”.

42 USC 607.

(8) Section 407(b)(2)(C)(i) of such Act is amended—

(A) by striking “section 402(a)(19)(A)” and all that follows through “part C of this title,” and inserting in lieu thereof “section 409(a)(19)(C), is not currently participating (or available for participation) in a program under part F.”;

(B) by striking “clause (iii)” and inserting in lieu thereof “clause (vii)”; and

(C) by striking “section 432(a)” and inserting in lieu thereof “part F”.

(9) Section 407(c) of such Act is amended by striking “to certify such parent” and all that follows and inserting in lieu thereof “to undertake appropriate steps directed toward the participation of such parent in a program under part F.”.

42 USC 607.

(10) Section 407(d)(1) of such Act is amended by striking "participated" and all that follows and inserting in lieu thereof "participated in a program under part F".

(11) Section 407(e) of such Act is amended—

(A) by striking "registering pursuant to section 402(a)(19) for the work incentive program established by part C of this title" in clause (1) and inserting in lieu thereof "participating in a program under part F";

(B) by inserting "participate in or" before "register for"; and

(C) by striking "the work incentive program" in clause (2) and inserting in lieu thereof "part F".

42 USC 609.

(12) Section 409 of such Act is repealed.

42 USC 614.

(13) Section 414 of such Act is repealed.

42 USC 671.

(c) IN OTHER PROVISIONS.—(1) Section 471(a)(8)(A) of such Act is amended by striking "part A, B, C, or D of this title" and inserting in lieu thereof "part A, B, or D of this title (including activities under part F)".

(2) Section 1108(a) of such Act (42 U.S.C. 1308(a)) is amended by inserting "or, in the case of part A of title IV, section 403(k)" before "applies", in the matter preceding paragraph (1).

(3) Section 1108(b) of such Act (42 U.S.C. 1308(b)) is amended by striking "and services provided under section 402(a)(19)".

(4) Section 1902(a)(10)(A)(i)(I) of such Act (42 U.S.C. 1396a(a)(10)(A)(i)(I)) is amended by striking "414(g)" and inserting in lieu thereof "482(e)(6)".

42 USC 1396s.

(5) Section 1926(a)(1)(D) of such Act, as redesignated by section 303(a) of this Act, is amended by striking "414(g)" and inserting in lieu thereof "482(e)(6)".

26 USC 51.

(6) Section 51(c)(2)(B) of the Internal Revenue Code of 1986 is amended by striking "section 414" and inserting "section 482(e)".

SEC. 203. REGULATIONS; PERFORMANCE STANDARDS; STUDIES.

42 USC 681 note.

(a) REGULATIONS.—Not later than 6 months after the date of the enactment of this Act, the Secretary of Health and Human Services (in this section referred to as the "Secretary") shall issue proposed regulations for the purpose of implementing the amendments made by this title, including regulations establishing uniform data collection requirements. The Secretary shall publish final regulations for such purpose not later than one year after the date of the enactment of this Act. Regulations issued under this subsection shall be developed by the Secretary in consultation with the Secretary of Labor and with the responsible State agencies described in section 482(a)(2) of the Social Security Act.

(b) PERFORMANCE STANDARDS.—Part F of title IV of the Social Security Act (as added by section 201(b) of this Act) is amended by adding at the end the following new section:

"PERFORMANCE STANDARDS

42 USC 687.

"SEC. 487. (a) Not later than 3 years after the effective date specified in section 204(a) of the Family Support Act of 1988, the Secretary shall—

"(1) in consultation with the Secretary of Labor, representatives of organizations representing Governors, State and local program administrators, educators, State job training coordinating councils, community-based organizations, recipients, and other interested persons, develop performance standards with

respect to the programs established pursuant to this part that are based, in part, on the results of the studies conducted under section 203(c) of such Act, and the initial State evaluations (if any) performed under section 486 of this Act; and

“(2) submit his recommendations for performance standards developed under paragraph (1) to the appropriate committees of jurisdiction of the Congress, which recommendations shall be made with respect to specific measurements of outcomes and be based on the degree of success which may reasonably be expected of States in helping individuals to increase earnings, achieve self-sufficiency, and reduce welfare dependency, and shall not be measured solely by levels of activity or participation.

Performance standards developed under this subsection shall be reviewed periodically by the Secretary and modified to the extent necessary.

“(b) The Secretary may collect information from the States to assist in the development of performance standards under subsection (a), and shall include in his regulations (issued pursuant to section 203(a) of the Family Support Act of 1988 with respect to the program under this part) provisions establishing uniform reporting requirements under which States must furnish periodically information and data, including information and data (for each program activity) on the average monthly number of families assisted, the types of such families, the amounts spent per family, the length of their participation, and such other matters as the Secretary may determine.

“(c) The Secretary shall develop and transmit to the Congress, for appropriate legislative action, a proposal for measuring State progress, providing technical assistance to enable States to meet performance standards, and modifying the Federal matching rate to reflect the relative effectiveness of the various States in carrying out the program.”

(c) **IMPLEMENTATION AND EFFECTIVENESS STUDIES.**—(1)(A) The Secretary shall conduct an implementation study in accordance with subparagraph (B).

42 USC 681 note.

(B) The implementation study conducted under subparagraph (A) shall be based on a representative sample of States and localities and shall document with respect to the programs established pursuant to part F of title IV the Social Security Act—

- (i) the types, mix, and costs of services offered,
- (ii) participation rates or activity levels,
- (iii) the characteristics of the individuals in the different type of activities,
- (iv) the provisions made for child and day care and the extent to which limitations exist with respect to the availability of such care,
- (v) the institutional arrangements and operating procedures under which activities are offered in the different locations, and
- (vi) such other factors as the Secretary deems appropriate.

Day care.

(C) There is authorized to be appropriated \$500,000 for each of the fiscal years 1989, 1990, and 1991 for the purpose of conducting the implementation study under this paragraph.

Appropriation authorization.

(2)(A) The Secretary shall conduct a study in accordance with this paragraph to determine the relative effectiveness of the different approaches for assisting long-term and potentially long-term recipi-

ents developed by States pursuant to the programs established under part F of title IV of the Social Security Act.

(B)(i) The study required under subparagraph (A) shall be based on data gathered from demonstration projects conducted in 5 States chosen by the Secretary from among applications submitted by interested States. Such projects shall be conducted for a period of not less than 3 years upon such terms and conditions (including those involving payments to the participating States) as the Secretary may provide.

(ii) A demonstration project conducted under this subparagraph shall use specific outcome measures to test the effectiveness of particular programs. Such measures shall include educational status, employment status, earnings, receipt of aid to families with dependent children under a State plan approved under part A of title IV of the Social Security Act, receipt of other transfer payments, and, to the extent possible, the poverty status of participating families.

(iii) A demonstration project conducted under this subparagraph shall use experimental and control groups that are composed of a random sample of participants in the program established under part F of title IV of the Social Security Act. The Secretary shall assure that the experimental design is comparable among localities.

(C) Participating States shall provide to the Secretary in such form and with such frequency as he requires interim data from the demonstration projects conducted under this paragraph. The Secretary shall report to the Congress annually on the progress of such projects and shall, not later than one year after the date of final data collection, submit to the Congress the study required under subparagraph (A).

(D) There is authorized to be appropriated \$5,000,000 for each of the fiscal years 1990 and 1991 for the purpose of making payments to States conducting demonstration projects under this section.

(3) The Secretary shall establish such uniform reporting requirements as the Secretary determines are appropriate for the purpose of conducting the demonstration projects required under this section.

(4) Within 3 months after the date of the enactment of this Act, the Secretary of Health and Human Services shall convene an advisory panel which may include representatives from the Office of Management and Budget, the Congressional Budget Office, the Congressional Research Service, and the General Accounting Office, and such other individuals and organizations as the Secretary may determine. The panel shall meet periodically to design, implement, and monitor a series of implementation and evaluation studies to assess the methods and effects of the programs initiated under this Act. Insofar as possible, the panel shall work in a collegial fashion; but if consensus cannot be reached among panel members on particular decisions the Secretary of Health and Human Services is authorized to make all final decisions about program design, use of contractors, conduct of particular studies, and any other matters which may come before the panel.

(d) **STUDY ON APPLICATION OF JOBS PROGRAMS TO INDIANS.**—The Secretary of Health and Human Services, in cooperation with the Secretary of the Interior, shall conduct a study of—

(1) the effectiveness of such employment, training, and education programs for low-income individuals as are specifically

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authorization.

42 USC 681 note.

directed toward Indians in responding to the needs of Indians on reservations;

(2) the effectiveness of such programs as are not specifically directed toward Indians in responding to such needs;

(3) the extent to which such needs are not met by such programs;

(4) how such programs could be better coordinated in responding to such needs;

(5) how such programs could be improved or restructured to more effectively meet such needs;

(6) what sustainable job markets exist in Indian communities (assessed by tribe and region); and

(7) the availability of such support services (as transportation and child care) as are necessary to assist Indians on reservations in participating in such programs and obtaining permanent employment.

Transportation.

The Secretary of Health and Human Services and the Secretary of the Interior shall report to the Congress on the results of the study under this subsection not later than October 1, 1989 (or, if later, one year after the date of the enactment of this Act).

Reports.

SEC. 204. EFFECTIVE DATE.

42 USC 681 note.

(a) IN GENERAL.—Except as provided in subsection (b), the amendments made by this title shall become effective on October 1, 1990.

(b) SPECIAL RULES.—(1)(A) If any State makes the changes in its State plan approved under section 402 of the Social Security Act that are required in order to carry out the amendments made by this title and formally notifies the Secretary of Health and Human Services of its desire to become subject to such amendments as of the first day of any calendar quarter beginning on or after the date on which the proposed regulations of the Secretary of Health and Human Services are published under section 203(a) (or, if earlier, the date on which such regulations are required to be published under such section) and before October 1, 1990, such amendments shall become effective with respect to that State as of such first day.

(B) In the case of any State in which the amendments made by this title become effective (in accordance with subparagraph (A)) with respect to any quarter of a fiscal year beginning before October 1, 1990, the limitation applicable to the State for the fiscal year under section 403(k)(2) of the Social Security Act (as added by section 201(c)(1) of this Act) shall be an amount that bears the same ratio to such limitation (as otherwise determined with respect to the State for the fiscal year) as the number of quarters in the fiscal year throughout which such amendments apply to the State bears to 4.

(2) Section 403(l)(3) of the Social Security Act (as added by section 201(c)(2) of this Act) is repealed effective October 1, 1995 (except that subparagraph (A) of such section 403(l)(3) shall remain in effect for purposes of applying any reduction in payment rates required by such subparagraph for any of the fiscal years specified therein); and section 403(l)(4) of such Act (as so added) is repealed effective October 1, 1998.

(3) Subsections (a), (c), and (d) of section 203 of this Act, and section 486 of the Social Security Act (as added by section 201(b) of this Act), shall become effective on the date of the enactment of this Act.

TITLE III—SUPPORTIVE SERVICES FOR FAMILIES

SEC. 301. CHILD CARE DURING PARTICIPATION IN EMPLOYMENT, EDUCATION, AND TRAINING.

42 USC 602.

Section 402 of the Social Security Act is amended by adding at the end the following new subsection:

“(g)(1)(A) Each State agency must guarantee child care in accordance with subparagraph (B)—

“(i) for each family with a dependent child requiring such care, to the extent that such care is determined by the State agency to be necessary for an individual in the family to accept employment or remain employed; and

“(ii) for each individual participating in an education and training activity (including participation in a program that meets the requirements of subsection (a)(19) and part F) if the State agency approves the activity and determines that the individual is satisfactorily participating in the activity.

“(B) The State agency may guarantee child care by—

“(i) providing such care directly;

“(ii) arranging the care through providers by use of purchase of service contracts, or vouchers;

“(iii) providing cash or vouchers in advance to the caretaker relative in the family;

“(iv) reimbursing the caretaker relative in the family; or

“(v) adopting such other arrangements as the agency deems appropriate.

When the State agency arranges for child care, the agency shall take into account the individual needs of the child.

“(C)(i) Subject to clause (ii), the State agency shall make payment for the cost of child care provided with respect to a family in an amount that is the lesser of—

“(I) the actual cost of such care; and

“(II) the dollar amount of the child care disregard for which the family is otherwise eligible under subsection (a)(8)(A)(iii), or (if higher) an amount established by the State.

“(ii) The State agency may not reimburse the cost of child care provided with respect to a family in an amount that is greater than the applicable local market rate (as determined by the State in accordance with regulations issued by the Secretary).

“(D) The State may not make any change in its method of reimbursing child care costs which has the effect of disadvantaging families receiving aid under the State plan on the date of the enactment of this section, by reducing their income or otherwise.

“(E) The value of any child care provided or arranged (or any amount received as payment for such care or reimbursement for costs incurred for the care) under this paragraph—

“(i) shall not be treated as income for purposes of any other Federal or federally-assisted program that bases eligibility for or the amount of benefits upon need, and

“(ii) may not be claimed as an employment-related expense for purposes of the credit under section 21 of the Internal Revenue Code of 1986.

“(2) In the case of any individual participating in the program under part F, each State agency (in addition to guaranteeing child

Contracts.

care under paragraph (1)) shall provide payment or reimbursement for such transportation and other work-related expenses (including other work-related supportive services), as the State determines are necessary to enable such individual to participate in such program.

“(3)(A) In the case of amounts expended for child care pursuant to paragraph (1)(A) by any State to which section 1108 does not apply, the applicable rate for purposes of section 403(a) shall be the Federal medical assistance percentage (as defined in section 1905(b)).

“(B) In the case of any amounts expended by the State agency for child care under this subsection, only such amounts as are within such limits as the State may prescribe (subject to the limitations of paragraph (1)(C)) shall be treated as amounts for which payment may be made to a State under this part and they may be so treated only to the extent that—

“(i) such amounts do not exceed the applicable local market rate (as determined by the State in accordance with regulations issued by the Secretary);

“(ii) the child care involved meets applicable standards of State and local law; and

“(iii) in the case of child care, the entity providing such care allows parental access.

“(4) The State must establish procedures to ensure that center-based child care will be subject to State and local requirements designed to ensure basic health and safety, including fire safety, protections. The State must also endeavor to develop guidelines for family day care. The State must provide the Secretary with a description of such State and local requirements and guidelines.

Public health and safety.

“(5) By October 1, 1992, the Secretary shall report to the Congress on the nature and content of State and local standards for health and safety.

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Public health and safety.

“(6)(A) The Secretary shall make grants to States to improve their child care licensing and registration requirements and procedures, and to monitor child care provided to children receiving aid under the State plan approved under subsection (a).

Grants.

“(B) Subject to subparagraph (C), the Secretary shall make grants to each State under subparagraph (A) in proportion to the number of children in the State receiving aid under the State plan approved under subsection (a).

“(C) The Secretary may not make grants to a State under subparagraph (A) unless the State provides matching funds in an amount that is not less than 10 percent of the amount of the grant.

“(D) For grants under this paragraph, there is authorized to be appropriated to the Secretary \$13,000,000 for each of the fiscal years 1990 and 1991.

Appropriation authorization.

“(7) Activities under this subsection shall be coordinated in each State with existing early childhood education programs in that State, including Head Start programs, preschool programs funded under chapter 1 of the Education Consolidation and Improvement Act of 1981, and school and nonprofit child care programs (including community-based organizations receiving funds designated for preschool programs for handicapped children).”

Handicapped persons.

SEC. 302. EXTENDED ELIGIBILITY FOR CHILD CARE.

(a) IN GENERAL.—Section 402(g)(1)(A) of the Social Security Act (as added by section 301 of this Act) is amended—

(1) by inserting “(i)” after “(A)”;

(2) by redesignating clauses (i) and (ii) as subclauses (I) and (II), respectively; and

(3) by adding at the end the following new clause:

“(ii) Each State agency must guarantee child care, subject to the limitations described in this section, to the extent that such care is determined by the State agency to be necessary for an individual’s employment in any case where a family has ceased to receive aid to families with dependent children as a result of increased hours of, or increased income from, such employment or by reason of subsection (a)(8)(B)(ii)(II).”.

(b) **PAYMENT.**—(1) Section 402(g)(3)(A) of such Act (as added by section 301 of this Act) is amended—

(A) by inserting “(i)” after “(A)”; and

(B) by adding at the end the following new clause:

“(ii) In the case of amounts expended for child care pursuant to paragraph (1)(A)(ii) (relating to the provision of child care for certain families which cease to receive aid under this part) by any State to which section 1108 applies, the applicable rate for purposes of section 403(a) shall be the Federal medical assistance percentage (as defined in section 1118).”.

(2) Section 403(l)(1)(A) of such Act (as added by section 201(c)(2) of this Act) is amended by striking “402(g)(1)(A)” in the matter preceding clause (i) and inserting in lieu thereof “402(g)(1)(A)(i)”.

(c) **LIMITATIONS ON ELIGIBILITY.**—Section 402(g)(1)(A) of the Social Security Act (as added by section 301 of this Act and as amended by subsection (a)(3) of this section) is amended by adding after clause (ii) the following new clauses:

“(iii) A family shall only be eligible for child care provided under clause (ii) for a period of 12 months after the last month for which the family received aid to families with dependent children under this part.

“(iv) A family shall not be eligible for child care provided under clause (ii) unless the family includes a child who is (or, if needy, children in at least 3 of the 6 months immediately preceding the month in which the family became ineligible for such aid.

“(v) A family shall not be eligible for child care provided under clause (ii) unless the family includes a child who is, (or, if needy, would be) a dependent child.

“(vi) A family shall not be eligible for child care provided under clause (ii) for any month beginning after the caretaker relative who is a member of the family has—

“(I) without good cause, terminated his or her employment; or

“(II) failed to cooperate with the State in establishing and enforcing his or her child support obligations.

“(vii) A family shall contribute to child care provided under clause (ii) in accordance with a sliding scale formula which shall be established by the State agency based on the family’s ability to pay.”.

(d) **STUDY OF WELFARE REQUALIFICATION; REGULATIONS BASED ON RESULTS OF STUDY.**—The Secretary of Health and Human Services shall conduct a study to determine whether individuals who ceased receiving aid under the State program of aid to families with dependent children approved under this part have begun again to receive such aid in order to requalify for additional months of transition benefits, and if the study reveals that such is the case, the Secretary shall, not earlier than October 1, 1991, issue regulations which restrict such requalification.

(e) **STUDY ON EFFECTS OF EXTENDING ELIGIBILITY FOR CHILD CARE.**—The Secretary of Health and Human Services shall conduct a study on the effectiveness of the amendments made by this section in reducing welfare dependence and assisting families in making the transition from welfare to employment, and such other effects of such amendments as the Secretary may find appropriate, and shall report the results of such study not later than September 30, 1997.

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42 USC 602 note.

SEC. 303. EXTENDED ELIGIBILITY FOR MEDICAL ASSISTANCE.

(a) **IN GENERAL.**—(1) Title XIX of the Social Security Act, as amended by section 303(a)(1) of the Medicare Catastrophic Coverage Act of 1988, is amended by redesignating section 1925 as section 1926 and by inserting after section 1924 the following new section:

42 USC 1396a.

“EXTENSION OF ELIGIBILITY FOR MEDICAL ASSISTANCE

“SEC. 1925. (a) INITIAL 6-MONTH EXTENSION.—

42 USC 1396r-6.

“(1) **REQUIREMENT.**—Notwithstanding any other provision of this title, each State plan approved under this title must provide that each family which was receiving aid pursuant to a plan of the State approved under part A of title IV in at least 3 of the 6 months immediately preceding the month in which such family becomes ineligible for such aid, because of hours of, or income from, employment of the caretaker relative (as defined in subsection (e)) or because of section 402(a)(8)(B)(ii)(II) (providing for a time-limited earned income disregard), shall, subject to paragraph (3) and without any reapplication for benefits under the plan, remain eligible for assistance under the plan approved under this title during the immediately succeeding 6-month period in accordance with this subsection.

“(2) **NOTICE OF BENEFITS.**—Each State, in the notice of termination of aid under part A of title IV sent to a family meeting the requirements of paragraph (1)—

“(A) shall notify the family of its right to extended medical assistance under this subsection and include in the notice a description of the reporting requirement of subsection (b)(2)(B)(i) and of the circumstances (described in paragraph (3)) under which such extension may be terminated; and

“(B) shall include a card or other evidence of the family's entitlement to assistance under this title for the period provided in this subsection.

“(3) **TERMINATION OF EXTENSION.**—

“(A) **NO DEPENDENT CHILD.**—Subject to subparagraphs (B) and (C), extension of assistance during the 6-month period described in paragraph (1) to a family shall terminate (during such period) at the close of the first month in which the family ceases to include a child who is (or would if needy be) a dependent child under part A of title IV.

“(B) **NOTICE BEFORE TERMINATION.**—No termination of assistance shall become effective under subparagraph (A) until the State has provided the family with notice of the grounds for the termination.

“(C) **CONTINUATION IN CERTAIN CASES UNTIL REDETERMINATION.**—With respect to a child who would cease to receive medical assistance because of subparagraph (A) but who may be eligible for assistance under the State plan because

the child is described in clause (i) or (v) of section 1905(a), the State may not discontinue such assistance under such subparagraph until the State has determined that the child is not eligible for assistance under the plan.

"(4) SCOPE OF COVERAGE.—

"(A) IN GENERAL.—Subject to subparagraph (B), during the 6-month extension period under this subsection, the amount, duration, and scope of medical assistance made available with respect to a family shall be the same as if the family were still receiving aid under the plan approved under part A of title IV.

"(B) STATE MEDICAID 'WRAP-AROUND' OPTION.—A State, at its option, may pay a family's expenses for premiums, deductibles, coinsurance, and similar costs for health insurance or other health coverage offered by an employer of the caretaker relative or by an employer of the absent parent of a dependent child. In the case of such coverage offered by an employer of the caretaker relative—

"(i) the State may require the caretaker relative, as a condition of extension of coverage under this subsection for the caretaker and the caretaker's family, to make application for such employer coverage, but only if—

"(I) the caretaker relative is not required to make financial contributions for such coverage (whether through payroll deduction, payment of deductibles, coinsurance, or similar costs, or otherwise), and

"(II) the State provides, directly or otherwise, for payment of any of the premium amount, deductible, coinsurance, or similar expense that the employee is otherwise required to pay; and

"(ii) the State shall treat the coverage under such an employer plan as a third party liability (under section 1902(a)(25)).

Payments for premiums, deductibles, coinsurance, and similar expenses under this subparagraph shall be considered, for purposes of section 1903(a), to be payments for medical assistance.

"(b) ADDITIONAL 6-MONTH EXTENSION.—

"(1) REQUIREMENT.—Notwithstanding any other provision of this title, each State plan approved under this title shall provide that the State shall offer to each family, which has received assistance during the entire 6-month period under subsection (a) and which meets the requirement of paragraph (2)(B)(i), in the last month of the period the option of extending coverage under this subsection for the succeeding 6-month period, subject to paragraph (3).

"(2) NOTICE AND REPORTING REQUIREMENTS.—

"(A) NOTICES.—

"(i) NOTICE DURING INITIAL EXTENSION PERIOD OF OPTION AND REQUIREMENTS.—Each State, during the 3rd and 6th month of any extended assistance furnished to a family under subsection (a), shall notify the family of the family's option for additional extended assistance under this subsection. Each such notice shall include (I) in the 3rd month notice, a statement of the reporting requirement under subparagraph (B)(i), and,

in the 6th month notice, a statement of the reporting requirement under subparagraph (B)(ii), (II) a statement as to whether any premiums are required for such additional extended assistance, and (III) a description of other out-of-pocket expenses, benefits, reporting and payment procedures, and any pre-existing condition limitations, waiting periods, or other coverage limitations imposed under any alternative coverage options offered under paragraph (4)(D). The 6th month notice under this subparagraph shall describe the amount of any premium required of a particular family for each of the first 3 months of additional extended assistance under this subsection.

“(ii) NOTICE DURING ADDITIONAL EXTENSION PERIOD OF REPORTING REQUIREMENTS AND PREMIUMS.—Each State, during the 3rd month of any additional extended assistance furnished to a family under this subsection, shall notify the family of the reporting requirement under subparagraph (B)(ii) and a statement of the amount of any premium required for such extended assistance for the succeeding 3 months.

“(B) REPORTING REQUIREMENTS.—

“(i) DURING INITIAL EXTENSION PERIOD.—Each State shall require (as a condition for additional extended assistance under this subsection) that a family receiving extended assistance under subsection (a) report to the State, not later than the 21st day of the 4th month in the period of extended assistance under subsection (a), on the family's gross monthly earnings and on the family's costs for such child care as is necessary for the employment of the caretaker relative in each of the first 3 months of that period.

“(ii) DURING ADDITIONAL EXTENSION PERIOD.—Each State shall require that a family receiving extended assistance under this subsection report to the State, not later than the 21st day of the 1st month and of the 4th month in the period of additional extended assistance under this subsection, on the family's gross monthly earnings and on the family's costs for such child care as is necessary for the employment of the caretaker relative in each of the 3 preceding months.

“(3) TERMINATION OF EXTENSION.—

“(A) IN GENERAL.—Subject to subparagraphs (B) and (C), extension of assistance during the 6-month period described in paragraph (1) to a family shall terminate (during the period) as follows:

“(i) NO DEPENDENT CHILD.—The extension shall terminate at the close of the first month in which the family ceases to include a child who is (or would if needy be) a dependent child under part A of title IV.

“(ii) FAILURE TO PAY ANY PREMIUM.—If the family fails to pay any premium for a month under paragraph (5) by the 21st day of the following month, the extension shall terminate at the close of that following month, unless the family has established, to the satisfaction of the State, good cause for the failure to pay such premium on a timely basis.

"(iii) QUARTERLY INCOME REPORTING AND TEST.—The extension under this subsection shall terminate at the close of the 1st or 4th month of the 6-month period if—

"(I) the family fails to report to the State, by the 21st day of such month, the information required under paragraph (2)(B)(ii), unless the family has established, to the satisfaction of the State, good cause for the failure to report on a timely basis;

"(II) the caretaker relative had no earnings in one or more of the previous 3 months, unless such lack of any earnings was due to an involuntary loss of employment, illness, or other good cause, established to the satisfaction of the State; or

"(III) the State determines that the family's average gross monthly earnings (less such costs for such child care as is necessary for the employment of the caretaker relative) during the immediately preceding 3-month period exceed 185 percent of the official poverty line (as defined by the Office of Management and Budget, and revised annually in accordance with section 673(2) of the Omnibus Budget Reconciliation Act of 1981) applicable to a family of the size involved.

Classified
information.

Information described in clause (iii)(I) shall be subject to the restrictions on use and disclosure of information provided under section 402(a)(9). Instead of terminating a family's extension under clause (iii)(I), a State, at its option, may provide for suspension of the extension until the month after the month in which the family reports information required under paragraph (2)(B)(ii), but only if the family's extension has not otherwise been terminated under subclause (II) or (III) of clause (iii). The State shall make determinations under clause (iii)(III) for a family each time a report under paragraph (2)(B)(ii) for the family is received.

"(B) NOTICE BEFORE TERMINATION.—No termination of assistance shall become effective under subparagraph (A) until the State has provided the family with notice of the grounds for the termination, which notice shall include (in the case of termination under subparagraph (A)(iii)(II), relating to no continued earnings) a description of how the family may reestablish eligibility for medical assistance under the State plan.

"(C) CONTINUATION IN CERTAIN CASES UNTIL REDETERMINATION.—

"(i) DEPENDENT CHILDREN.—With respect to a child who would cease to receive medical assistance because of subparagraph (A)(i) but who may be eligible for assistance under the State plan because the child is described in clause (i) or (v) of section 1905(a), the State may not discontinue such assistance under such subparagraph until the State has determined that the child is not eligible for assistance under the plan.

"(ii) MEDICALLY NEEDY.—With respect to an individual who would cease to receive medical assistance because of clause (ii) or (iii) of subparagraph (A) but who may be eligible for assistance under the State plan because the individual is within a category of person

for which medical assistance under the State plan is available under section 1902(a)(10)(C) (relating to medically needy individuals), the State may not discontinue such assistance under such subparagraph until the State has determined that the individual is not eligible for assistance under the plan.

“(4) COVERAGE.—

“(A) IN GENERAL.—During the extension period under this subsection—

“(i) the State plan shall offer to each family medical assistance which (subject to subparagraphs (B) and (C)) is the same amount, duration, and scope as would be made available to the family if it were still receiving aid under the plan approved under part A of title IV; and

“(ii) the State plan may offer alternative coverage described in subparagraph (D).

“(B) ELIMINATION OF MOST NON-ACUTE CARE BENEFITS.—At a State's option and notwithstanding any other provision of this title, a State may choose not to provide medical assistance under this subsection with respect to any (or all) of the items and services described in paragraphs (4)(A), (6), (7), (8), (11), (13), (14), (15), (16), (18), (20), and (21) of section 1905(a).

“(C) STATE MEDICAID ‘WRAP-AROUND’ OPTION.—At a State's option, the State may elect to apply the option described in subsection (a)(4)(B) (relating to ‘wrap-around’ coverage) for families electing medical assistance under this subsection in the same manner as such option applies to families provided extended eligibility for medical assistance under subsection (a).

“(D) ALTERNATIVE ASSISTANCE.—At a State's option, the State may offer families a choice of health care coverage under one or more of the following, instead of the medical assistance otherwise made available under this subsection:

“(i) ENROLLMENT IN FAMILY OPTION OF EMPLOYER PLAN.—Enrollment of the caretaker relative and dependent children in a family option of the group health plan offered to the caretaker relative.

“(ii) ENROLLMENT IN FAMILY OPTION OF STATE EMPLOYEE PLAN.—Enrollment of the caretaker relative and dependent children in a family option within the options of the group health plan or plans offered by the State to State employees.

“(iii) ENROLLMENT IN STATE UNINSURED PLAN.—Enrollment of the caretaker relative and dependent children in a basic State health plan offered by the State to individuals in the State (or areas of the State) otherwise unable to obtain health insurance coverage.

“(iv) ENROLLMENT IN HMO.—Enrollment of the caretaker relative and dependent children in a health maintenance organization (as defined in section 1903(m)(1)(A)) less than 50 percent of the membership (enrolled on a prepaid basis) of which consists of individuals who are eligible to receive benefits under this title (other than because of the option offered under this clause). The option of enrollment under this clause is in addition to, and not in lieu of, any enroll-

ment option that the State might offer under subparagraph (A)(i) with respect to receiving services through a health maintenance organization in accordance with section 1903(m).

If a State elects to offer an option to enroll a family under this subparagraph, the State shall pay any premiums and other costs for such enrollment imposed on the family and may pay deductibles and coinsurance imposed on the family. A State's payment of premiums for the enrollment of families under this subparagraph (not including any premiums otherwise payable by an employer and less the amount of premiums collected from such families under paragraph (5)) and payment of any deductibles and coinsurance shall be considered, for purposes of section 1903(a)(1), to be payments for medical assistance.

"(E) PROHIBITION ON COST-SHARING FOR MATERNITY AND PREVENTIVE PEDIATRIC CARE.—

"(i) IN GENERAL.—If a State offers any alternative option under subparagraph (D) for families, under each such option the State must assure that care described in clause (ii) is available without charge to the families through—

"(I) payment of any deductibles, coinsurance, and other cost-sharing respecting such care, or

"(II) providing coverage under the State plan for such care without any cost-sharing, or any combination of such mechanisms.

"(ii) CARE DESCRIBED.—The care described in this clause consists of—

"(I) services related to pregnancy (including prenatal, delivery, and post partum services), and

"(II) ambulatory preventive pediatric care (including ambulatory early and periodic screening, diagnosis, and treatment services under section 1905(a)(4)(B)) for each child who meets the age and date of birth requirements to be a qualified child under section 1905(n)(2).

"(5) PREMIUM.—

"(A) PERMITTED.—Notwithstanding any other provision of this title (including section 1916), a State may impose a premium for a family for additional extended coverage under this subsection for a premium payment period (as defined in subparagraph (D)(i)), but only if the family's average gross monthly earnings (less the average monthly costs for such child care as is necessary for the employment of the caretaker relative) for the premium base period exceed 100 percent of the official poverty line (as defined by the Office of Management and Budget, and revised annually in accordance with section 673(2) of the Omnibus Budget Reconciliation Act of 1981) applicable to a family of the size involved.

"(B) LEVEL MAY VARY BY OPTION OFFERED.—The level of such premium may vary, for the same family, for each option offered by a State under paragraph (4)(D).

"(C) LIMIT ON PREMIUM.—In no case may the amount of any premium under this paragraph for a family for a month in either of the premium payment periods described

in subparagraph (D)(i) exceed 3 percent of the family's average gross monthly earnings during the premium base period (as defined in subparagraph (D)(ii)).

“(D) DEFINITIONS.—In this paragraph:

“(i) A ‘premium payment period’ described in this clause is a 3-month period beginning with the 1st or 4th month of the 6-month additional extension period provided under this subsection.

“(ii) The term ‘premium base period’ means, with respect to a particular premium payment period, the period of 3 consecutive months the last of which is 4 months before the beginning of that premium payment period.

“(c) APPLICABILITY IN STATES AND TERRITORIES.—

“(1) STATES OPERATING UNDER DEMONSTRATION PROJECTS.—In the case of any State which is providing medical assistance to its residents under a waiver granted under section 1115(a), the Secretary shall require the State to meet the requirements of this section in the same manner as the State would be required to meet such requirement if the State had in effect a plan approved under this title.

“(2) INAPPLICABILITY IN COMMONWEALTHS AND TERRITORIES.—The provisions of this section shall only apply to the 50 States and the District of Columbia.

District of
Columbia.

“(d) GENERAL DISQUALIFICATION FOR FRAUD.—

“(1) INELIGIBILITY FOR AID.—This section shall not apply to an individual who is a member of a family which has received aid under part A of title IV if the State makes a finding that, at any time during the last 6 months in which the family was receiving such aid before otherwise being provided extended eligibility under this section, the individual was ineligible for such aid because of fraud.

“(2) GENERAL DISQUALIFICATIONS.—For additional provisions relating to fraud and program abuse, see sections 1128, 1128A, and 1128B.

Fraud.

“(e) CARETAKER RELATIVE DEFINED.—In this section, the term ‘caretaker relative’ has the meaning of such term as used in part A of title IV.

“(f) SUNSET.—This section shall not apply with respect to families that cease to be eligible for aid under part A of title IV after September 30, 1998.”

(2) Section 1902(a) of such Act (42 U.S.C. 1396a(a)), as amended by section 303(e) of the Medicare Catastrophic Coverage Act of 1988, is amended—

(A) by striking “and” at the end of paragraph (50),

(B) by striking the period at the end of paragraph (51) and inserting “; and”, and

(C) by inserting after paragraph (51) the following new paragraph:

“(52) meet the requirements of section 1925 (relating to extension of eligibility for medical assistance).”

(b) CONFORMING AMENDMENTS.—(1) Section 1902(e)(1) of such Act (42 U.S.C. 1396a(e)(1)) is amended—

(A) by inserting “subject to subparagraph (B)” after “January 1, 1974,”

(B) by inserting “(A)” after “(e)(1)”, and

(C) by adding at the end the following new subparagraph:

"(B) Subparagraph (A) shall not apply with respect to families that cease to be eligible for aid under part A of title IV during the period beginning on April 1, 1990, and ending on September 30, 1998. During such period, for provisions relating to extension of eligibility for medical assistance for certain families who have received aid pursuant to a State plan approved under part A of title IV and have earned income, see section 1925."

(2) Section 1905(a) of such Act (42 U.S.C. 1396d(a)) is amended by striking "or" at the end of clause (vii), by inserting "or" at the end of clause (viii), and by inserting after clause (viii) the following new clause:

"(ix) individuals provided extended benefits under section 1925,".

42 USC 602.

(3) Paragraph (37) of section 402(a) of such Act is amended to read as follows:

"(37) provide that if any family becomes ineligible to receive aid to families with dependent children because of hours of or income from employment of the caretaker relative or because of paragraph (8)(B)(ii)(II), having received such aid in at least 3 of the 6 months immediately preceding the month in which such ineligibility begins, the family shall remain eligible for medical assistance under the State's plan approved under title XIX for an extended period or periods as provided in section 1925, and that the family will be appropriately notified of such extension (in the State agency's notice to the family of the termination of its eligibility for such aid) as required by section 1925(a)(2);".

42 USC 1396r-6
note.

(c) **STUDY AND REPORT.**—(1) The Secretary of Health and Human Services shall conduct a study of the impact of the medicaid extension provisions under section 1925 of the Social Security Act, with particular focus on the costs of such provisions and the impact on welfare dependency, and shall report to Congress on the results of such study not later than April 1, 1993.

(2) The study under paragraph (1) shall include an examination of—

(A) the extent to which the availability of extended medicaid benefits affects access to and use of medical services,

(B) the relative effectiveness of different types of coverage provided by States,

(C) the effect of requiring families to pay premiums or incur any other expenses with respect to such extended benefits, and

(D) whether individuals who have exhausted such benefits recycle onto welfare for short periods of time in order to requalify for such extended benefits.

(d) **CONFORMING AMENDMENT TO SECTION 403 AMENDMENTS.**—Section 1902(e) of the Social Security Act (42 U.S.C. 1396a(e)) is amended by adding at the end the following new paragraph:

"(10)(A) The fact that an individual, child, or pregnant woman may be denied aid under part A of title IV pursuant to section 402(a)(43) shall not be construed as denying (or permitting a State to deny) medical assistance under this title to such individual, child, or woman who is eligible for assistance under this title on a basis other than the receipt of aid under such part.

"(B) If an individual, child, or pregnant woman is receiving aid under part A of title IV and such aid is terminated pursuant to section 402(a)(43), the State may not discontinue medical assistance under this title for the individual, child, or woman until the State has determined that the individual, child, or woman is not eligible

for assistance under this title on a basis other than the receipt of aid under such part.”

(e) **1-YEAR EXTENSION OF MEDICAID ELIGIBILITY EXTENSION DUE TO COLLECTION OF CHILD OR SPOUSAL SUPPORT.**—Section 20(b) of the Child Support Amendments of 1984 (Public Law 98-378) is amended by striking “October 1, 1988” and inserting “October 1, 1989”.

42 USC 606 note.

(f) **EFFECTIVE DATE.**—(1) The amendments made by this section (other than subsections (b)(3), (d), and (e)) shall apply to payments under title XIX of the Social Security Act for calendar quarters beginning on or after April 1, 1990 (or, in the case of the Commonwealth of Kentucky, October 1, 1990) (without regard to whether regulations to implement such amendments are promulgated by such date), with respect to families that cease to be eligible for aid under part A of title IV of the Social Security Act on or after such date.

Kentucky.

42 USC 602 note.

(2)(A) The amendment made by subsection (b)(3) shall become effective on April 1, 1990.

(B) Effective September 30, 1998, the amendment made by subsection (b)(3) is repealed.

(C) Section 402(a)(37) of the Social Security Act, as in effect immediately before April 1, 1990, shall become effective on September 30, 1998.

42 USC 602.

(3) The amendment made by subsection (d) shall become effective on the effective date of section 402(a)(43) of the Social Security Act, as inserted by section 403(a) of this Act.

(4) The amendment made by subsection (e) shall take effect on October 1, 1988.

SEC. 304. EFFECTIVE DATES.

42 USC 602 note.

(a) **CHILD CARE FOR PARTICIPANTS IN EMPLOYMENT, EDUCATION, AND TRAINING.**—The amendment made by section 301 shall become effective with respect to a State on the date the amendments made by title II become effective with respect to the State.

(b) **TRANSITIONAL CHILD CARE.**—(1) The amendments made by section 302 shall become effective on April 1, 1990.

(2) Effective September 30, 1998, the amendments made by section 302 are repealed.

TITLE IV—RELATED AFDC AMENDMENTS

SEC. 401. BENEFITS FOR TWO-PARENT FAMILIES.

(a) **MANDATORY EXPANSION OF COVERAGE.**—(1) Section 402(a) of the Social Security Act (as amended by section 201(a) of this Act) is amended—

(A) by striking “and” after the semicolon at the end of paragraph (39);

(B) by striking the period at the end of paragraph (40) and inserting in lieu thereof “; and”; and

(C) by inserting immediately after paragraph (40) the following new paragraph:

“(41) provide that aid to families with dependent children will be provided under the plan with respect to dependent children of unemployed parents in accordance with section 407.”

(2)(A) Section 402(a)(38)(B) of such Act is amended by striking “(if such section is applicable to the State)”.

42 USC 607.

(B) Section 407(b) of such Act is amended by striking "(b) The provisions" and all that follows through "(1) requires" and inserting in lieu thereof the following:

"(b) In providing for the provision of aid to families with dependent children under the State's plan approved under section 402, in the case of families that include dependent children within the meaning of subsection (a) of this section, as required by section 402(a)(41), the State's plan—

"(1) shall require".

(C) Section 407(b)(2) of such Act is amended by striking "provides—" and inserting in lieu thereof "shall provide—".

(b) STATE FLEXIBILITY IN STRUCTURING TWO-PARENT FAMILY PROGRAM.—(1) Section 407(b) of such Act (as amended by subsection (a) of this section) is amended—

(A)(i) by inserting "(1)" after "(b)";

(ii) by redesignating paragraphs (1) and (2) as subparagraphs (A) and (B), respectively;

(iii) by redesignating subparagraphs (A), (B), and (C) of such paragraph (1) as clauses (i), (ii), and (iii), respectively;

(iv) by redesignating subparagraphs (A), (B), (C), and (D) of such paragraph (2) as clauses (i), (ii), (iii), and (iv), respectively; and

(v) by redesignating clauses (i) and (ii) of subparagraph (C) of both such paragraphs (1) and (2) as subclauses (I) and (II), respectively;

(B) in paragraph (1)(A) (as so redesignated by subparagraph (A) of this paragraph, and as amended by subsection (a)(2)(A) of this section before such redesignation), by inserting "subject to paragraph (2)," before "shall require"; and

(C) by adding at the end the following new paragraph:

"(2)(A) In carrying out the program under this section, a State may design its program to reflect the individual needs of the State and to emphasize education, training, and employment services for unemployed parents and their spouses who are eligible for aid to families with dependent children by reason of this section, to the extent provided under this paragraph.

"(B)(i) Subject to clauses (ii) and (iii), with respect to the requirement under section 402(a)(41), a State may, at its option, limit the number of months with respect to which a family receives aid to families with dependent children to the extent determined appropriate by the State for the operation of its program under this section.

"(ii)(I) A State may not limit the number of months under clause (i) for which a family may receive aid to families with dependent children unless it provides in its plan assurances to the Secretary that it has a program (that meets such requirements as the Secretary may in regulation prescribe) for providing education, training, and employment services (including any activity authorized under section 402(a)(19) or under part F) in order to assist parents of children described in subsection (a) in preparing for and obtaining employment.

"(II) In exercising the option under clause (i), a State plan may not provide for the denial of aid to families with dependent children to a family otherwise eligible for such aid for any month unless the family has received such aid (on the basis of the unemployment of the parent who is the principal earner) in at least 6 of the preceding 12 months.

“(iii) Each State which, on September 26, 1988, has a program in effect under this section shall continue to operate such program without a time limitation.

“(C) With respect to the participation in the program under section 402(a)(19) and part F of a family eligible for aid to families with dependent children by reason of this section, a State may, at its option—

“(i) except as otherwise provided in such section and such part, require that any parent participating in such program engage in program activities for up to 40 hours per week; and

“(ii) provide for the payment of aid to families with dependent children at regular intervals of no greater than one month but after the performance of assigned program activities.”.

(2) Section 402(a)(19)(B)(i)(II) of such Act (as added by the amendment made by section 201(a) of this Act) is amended by inserting “(and individuals who would be recipients of such aid if the State had not exercised the option under section 407(b)(2)(B)(i))” after “children”.

42 USC 602.

(3)(A) Section 407(b)(1)(B) of such Act (as so redesignated by paragraph (1)(A) of this subsection) is amended by striking “paragraph (1)(A)” each place it appears and inserting in lieu thereof “subparagraph (A)(i)”.

42 USC 607.

(B) Section 407(c) of such Act is amended—

(i) by striking “subparagraph (A) of subsection (b)(1)” and inserting in lieu thereof “subsection (b)(1)(A)(i)”; and

(ii) by striking “subparagraph (B) of such subsection” and inserting in lieu thereof “subsection (b)(1)(A)(ii)”; and

(iii) by striking “subparagraph (A) of subsection (b)(2)” and inserting in lieu thereof “subsection (b)(1)(B)(i)”.

(C) Section 407(d)(3) of such Act is amended by striking “section 407(b)(1)(C)” and inserting in lieu thereof “subsection (b)(1)(A)(iii)”.

(c) PARTICIPATION IN TRAINING AND EDUCATION PROGRAMS AS A QUARTER OF WORK.—(1) Section 407(d)(1) of such Act is amended—

(A) by inserting “(A)” after “means a calendar quarter”; and

(B) by inserting before the semicolon at the end the following:

“, or (B) at the option of the State, a calendar quarter in which such individual attended, full-time, an elementary school, a secondary school, or a vocational or technical training course (approved by the Secretary) that is designed to prepare the individual for gainful employment, or in which such individual participated in an education or training program established under the Job Training Partnership Act”.

(2) Section 407(d) of such Act is amended by adding at the end the following new sentence:

“Notwithstanding section 402(a)(1), a State that chooses to exercise the option provided under paragraph (1)(B) may provide that the definition of calendar quarter under such option apply in one or more political subdivisions of the State.”.

(3) Section 407(b)(1)(A)(iii)(I) of such Act (as so redesignated by subsection (b)(1)(A) of this section) is amended by inserting “, no more than 4 of which may be quarters of work defined in subsection (d)(1)(B),” after “(d)(1)”.

(4)(A) Section 407(b)(2)(B)(ii) of such Act (as added by the amendment made by subsection (b)(1)(C) of this section) is amended by adding at the end the following new subclause:

“(III) Any family that is otherwise eligible for aid to families with dependent children that does not receive such aid in any month

solely by reason of the State exercising the option under clause (i) shall be deemed, for purposes of determining the period under paragraph (1)(A)(iii)(I), to be receiving such aid in such month.”.

42 USC 607. (B) Section 407(d)(1) of such Act (as amended by paragraph (1) of this subsection) is amended by striking “a community work experience” and all that follows through the semicolon and inserting in lieu thereof “the program under section 402(a)(19) and part F”.

42 USC 1396a. (d) **EXPANSION OF MEDICAID COVERAGE FOR TWO-PARENT FAMILIES.**—(1) Section 1902(a)(10)(A)(i) of such Act is amended—

(A) by striking “or” at the end of subclause (III),

(B) by adding “or” at the end of subclause (IV), and

(C) by adding at the end the following new subclause:

“(V) who are qualified family members as defined in section 1905(m)(1);”.

42 USC 1396d. (2) Section 1905 of such Act is amended by inserting after subsection (l) the following new subsection:

“(m)(1) Subject to paragraph (2), the term ‘qualified family member’ means an individual (other than a qualified pregnant woman or child, as defined in subsection (n)) who is a member of a family that would be receiving aid under the State plan under part A of title IV pursuant to section 407 if the State had not exercised the option under section 407(b)(2)(B)(i).

Effective date. “(2) No individual shall be a qualified family member for any period after September 30, 1998.”.

42 USC 607 note. (e) **EVALUATION AND REPORT.**—(1) The Secretary of Health and Human Services shall evaluate the time-limited and conventional State programs conducted under section 407 of the Social Security Act (as amended by this section), including the effects of the work requirement applicable to families receiving benefits under such section.

(2) The Secretary shall, not later than July 1, 1996, submit to the Congress an interim report containing the findings of such evaluation together with recommendations for any changes in such program, and shall, not later than July 1, 1998, submit to the Congress a final report containing such findings and recommendations.

42 USC 602. (f) Section 402(a) of such Act (as amended by sections 201(a) and 401(a) of this Act) is amended—

(1) by striking “and” at the end of paragraph (40);

(2) by striking the period at the end of paragraph (41) and inserting “; and”; and

(3) by inserting immediately after paragraph (41) the following new paragraph:

“(42) provide that if, under section 407(b)(2)(B)(i), the State limits the number of months for which a family may receive aid to families with dependent children, the State shall provide medical assistance to all members of the family under the State’s plan approved under title XIX, without time limitation.

42 USC 602 note. (g) **EFFECTIVE DATE.**—(1) Except as provided in paragraph (2), and in section 1905(m)(2) of the Social Security Act (as added by subsection (d)(2) of this section), the amendments made by this section shall become effective on October 1, 1990.

Territories, U.S. (2) The amendments made by this section shall not become effective with respect to Puerto Rico, American Samoa, Guam, or the Virgin Islands, until October 1, 1992.

42 USC 602 and note, 607. (h) **TERMINATION.**—Effective September 30, 1998, the amendments made by this section (other than by subsection (d)) are repealed, and the provisions of law so amended (as in effect immediately before

the effective date of such amendments) shall apply as if such amendments had never been made.

SEC. 402. CHANGES IN EARNED INCOME DISREGARDS.

(a) **LIMIT ON DISREGARD OF CHILD CARE COSTS INCREASED; CHILD CARE DISREGARD TO BE APPLIED LAST.**—Section 402(a)(8)(A)(iii) of the Social Security Act is amended—

42 USC 602.

(1) by inserting “after applying the other clauses of this subparagraph,” before “shall disregard”;

(2) by striking “\$160” and inserting in lieu thereof “\$175”; and

(3) by inserting before the semicolon “, or, in the case such child is under age 2, \$200”.

(b) **STANDARD DISREGARD INCREASED.**—Section 402(a)(8)(A)(ii) of such Act is amended by striking “\$75” and inserting in lieu thereof “\$90”.

(c) **DISREGARD OF ADVANCE PAYMENTS OR REFUND OF EARNED INCOME TAX CREDIT.**—(1) Section 402(a)(8)(A) of such Act is amended—

(A) by striking “and” at the end of clause (vi); and

(B) by adding at the end the following new clause:

“(viii) shall disregard any refund of Federal income taxes made to a family receiving aid to families with dependent children by reason of section 32 of the Internal Revenue Code of 1986 (relating to earned income tax credit) and any payment made to such a family by an employer under section 3507 of such Code (relating to advance payment of earned income credit); and”.

(2)(A) Section 402(d) of such Act is repealed.

(B) Section 402(a)(30) of such Act is amended by striking “subsection (d)” and inserting in lieu thereof “subsection (e)”.

(d) **EFFECTIVE DATE.**—The amendments made by this section shall become effective on October 1, 1989.

42 USC 602 note.

SEC. 403. HOUSEHOLDS HEADED BY MINOR PARENTS.

(a) **IN GENERAL.**—Section 402(a) of the Social Security Act (as amended by sections 201(a), 401(a), and 401(f) of this Act) is amended—

(1) by striking “and” at the end of paragraph (41);

(2) by striking the period at the end of paragraph (42) and inserting “; and”; and

(3) by inserting immediately after paragraph (42) the following new paragraph:

“(43) at the option of the State, provide that—

“(A) subject to subparagraph (B), in the case of any individual who is under the age of 18 and has never married, and who has a dependent child in his or her care (or is pregnant and is eligible for aid to families with dependent children under the State plan)—

“(i) such individual may receive aid to families with dependent children under the plan for the individual and such child (or for herself in the case of a pregnant woman) only if such individual and child (or such pregnant woman) reside in a place of residence maintained by a parent, legal guardian, or other adult relative of such individual as such parent’s, guardian’s, or adult relative’s own home, or reside in a foster home,

maternity home, or other adult-supervised supportive living arrangement; and

“(ii) such aid (where possible) shall be provided to the parent, legal guardian, or other adult relative on behalf of such individual and child; and

“(B) subparagraph (A) does not apply in the case where—

“(i) such individual has no parent or legal guardian of his or her own who is living and whose whereabouts are known;

“(ii) no living parent or legal guardian of such individual allows the individual to live in the home of such parent or guardian;

“(iii) the State agency determines that the physical or emotional health or safety of such individual or such dependent child would be jeopardized if such individual and such dependent child lived in the same residence with such individual's own parent or legal guardian;

“(iv) such individual lived apart from his or her own parent or legal guardian for a period of at least one year before either the birth of any such dependent child or the individual having made application for aid to families with dependent children under the plan; or

“(v) the State agency otherwise determines (in accordance with regulations issued by the Secretary) that there is good cause for waiving such subparagraph.”

42 USC 602 note.

(b) **EFFECTIVE DATE.**—The amendments made by this section shall become effective on the first day of the first calendar quarter to begin one year or more after the date of the enactment of this Act.

SEC. 404. PERIODIC REEVALUATION OF NEED AND PAYMENT STANDARDS.

(a) **IN GENERAL.**—Section 402 of the Social Security Act (as amended by section 301 of this Act) is amended by adding at the end the following new subsection:

Reports.
Public
information.

“(h)(1) Each State shall reevaluate the need standard and payment standard under its plan at least once every 3 years, in accordance with a schedule established by the Secretary, and report the results of the reevaluation to the Secretary and the public at such time and in such form and manner as the Secretary may require.

“(2) The report required by paragraph (1) shall include a statement of—

“(A) the manner in which the need standard of the State is determined,

“(B) the relationship between the need standard and the payment standard (expressed as a percentage or in any other manner determined by the Secretary to be appropriate), and

“(C) any changes in the need standard or the payment standard in the preceding 3-year period.

Reports.

“(3) The Secretary shall report promptly to the Congress the results of the reevaluations required by paragraph (1).”

42 USC 602 note.

(b) **EFFECTIVE DATE.**—The amendment made by subsection (a) shall become effective on the date of the enactment of this Act.

SEC. 405. CBO STUDY ON IMPLEMENTATION OF NATIONAL MINIMUM PAYMENT STANDARD.

(a) **IN GENERAL.**—The Congressional Budget Office shall conduct a study on the implementation of the amendments proposed by section 101 of the bill introduced in the Senate of the United States during the 100th Congress and designated S. 862 (relating to the requirement of a minimum payment standard under part A of title IV of the Social Security Act with a Federal matching rate of 90 percent).

(b) **DESCRIPTION OF STUDY.**—The study conducted under subsection (a) shall assess the extent to which—

(1) the goal of budget neutrality may be preserved by repealing the programs included in, but not limited to, the programs described in the amendments proposed by section 301 of the bill described in subsection (a) over a more gradual period of time in conjunction with corresponding increases (up to 90 percent) in the Federal matching rates under part A of title IV, and title XIX, of the Social Security Act; and

(2) the effects on local governments of repealing Federal programs could be mitigated by providing, over a period of time that corresponds with more gradual increases in the Federal matching rates under such part A and title XIX, general revenue supplements to those localities with the lowest levels of fiscal capacity and pass-throughs to units of local government.

(c) **REPORT TO CONGRESS.**—The Congressional Budget Office shall report on the results of the study conducted under this section not later than 12 months after the date of the enactment of this Act.

(d) **AUTHORIZATION OF APPROPRIATIONS.**—There are authorized to be appropriated such sums as may be necessary to carry out this section.

SEC. 406. STUDY OF NEW NATIONAL APPROACHES TO WELFARE BENEFITS FOR LOW-INCOME FAMILIES WITH CHILDREN.

42 USC 602 note.

(a) **IN GENERAL.**—The Secretary of Health and Human Services shall enter into a contract or arrangement with the National Academy of Sciences for the study of a new national system of welfare benefits for low-income families with children, giving particular attention to what an appropriate national minimum benefit might be and how it should be calculated. The study shall give consideration to alternative minimum benefit proposals including proposals for benefits based on a family living standard, on weighted national median income, on State median income, and on the poverty level, and shall take into account the probable impact of a national minimum benefit on individuals and on State and local governments.

Contracts.

(b) **METHODOLOGY.**—(1) The study under this section shall include the development of a uniform national methodology which could be used to calculate State-specific family living standards and benefits based on other minimum benefit proposals.

(2) The methodology so developed shall be designed to identify a single uniform measure suitable for application in each State, and shall—

(A) take into account actual living costs in each State while permitting variances in such costs as between the different geographic areas of the State;

(B) take into account variations in actual living costs in each State for families of different sizes and composition; and

(C) specify an effective process for reassessing and updating both the methodology and the resulting family living standards and benefits based on other minimum benefit policies at least once every 4 years.

(3) The methodology so developed shall reflect the costs of basic necessities including housing, furnishings, food, clothing, transportation, utilities, and other maintenance items; and the study shall take into account variations in costs for different geographic areas of the State where such costs may be substantially different, and variations in costs for families of different sizes and composition.

(c) **OTHER CONSIDERATIONS; PROGRESSION TO PROPOSED MINIMUM BENEFIT LEVELS.**—In order to assess the implications of States moving to a new system of welfare benefits, the study shall include an analysis of the relationship between a State's fiscal capacity and other circumstances and constraints and the application of a full family living standard or other minimum benefit policy. The study shall propose a formula designed to achieve a uniform progression from the level of assistance currently being provided for low-income families with children under the AFDC program, the food stamp program, and the low-income energy assistance program, by each State, to a level based on the full family living standard or other minimum benefit policy for that State. For this purpose the Secretary shall define the term "low-income families with children" in a manner which reflects all families that include dependent children as defined for purposes of the AFDC program.

(d) **REPORT AND RECOMMENDATIONS.**—The Academy shall report its recommendations resulting from the study under this section to the Secretary no later than 24 months after the date of the enactment of this Act; and the Secretary shall promptly transmit such recommendations to the Congress.

(e) **AUTHORIZATION OF FUNDS.**—There are authorized to be appropriated such sums as may be necessary to carry out this section.

TITLE V—DEMONSTRATION PROJECTS

SEC. 501. FAMILY SUPPORT DEMONSTRATION PROJECTS.

(a) **DEMONSTRATION PROJECTS TO TEST THE EFFECT OF EARLY CHILDHOOD DEVELOPMENT PROGRAMS.**—(1) In order to test the effect of in-home early childhood development programs and pre-school center-based development programs (emphasizing the use of volunteers and including academic credit for student volunteers) on families receiving aid under State plans approved under section 402 of the Social Security Act and participating in the job opportunities and basic skills training program under part F of title IV of such Act, up to 10 States may undertake and carry out demonstration projects utilizing such development programs to enhance the cognitive skills and linguistic ability of children under the age of 5, to improve the communications skills of such children, and to develop their ability to read, write, and speak the English language effectively. Such projects may include parents along with their eligible children in family-centered education programs that assist children directly in achieving the goals stated in the preceding sentence and also help parents contribute to the proper development and education of their young children. Demonstration projects under this subsection shall meet such conditions and requirements as the Secretary of Health and Human Services (in this section referred to as the "Secretary")

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42 USC 1315
note.

shall prescribe, and no such project shall be conducted for a period of more than 3 years.

(2) The Secretary shall consider all applications received from States desiring to conduct demonstration projects under this subsection, shall approve up to 10 applications involving projects which appear likely to contribute significantly to the achievement of the purpose of this subsection, and shall make grants to the States whose applications are approved to assist them in carrying out such projects.

(3) The Secretary shall submit to the Congress with respect to each project undertaken by a State under this subsection, after such project has been carried out for one year and again when such project is completed, a detailed evaluation of the project and of its contribution to the achievement of the purpose of this subsection.

(b) **STATE DEMONSTRATION PROJECTS TO ENCOURAGE INNOVATIVE EDUCATION AND TRAINING PROGRAMS FOR CHILDREN.**—In order to encourage States to develop innovative education and training programs for children receiving aid under State plans approved under section 402 of the Social Security Act, any State may establish and conduct one or more demonstration projects, targeted to such children, designed to test financial incentives and interdisciplinary approaches to reducing school dropouts, encouraging skill development, and avoiding welfare dependence; and the Secretary may make grants to States to assist in financing such projects. Demonstration projects under this subsection shall meet such conditions and requirements as the Secretary shall prescribe, and no such project shall be conducted for a period of less than one year or more than 5 years.

(c) **DEMONSTRATIONS TO ENSURE LONG TERM FAMILY SELF-SUFFICIENCY THROUGH COMMUNITY-BASED SERVICES.**—Any State, using funds made available to it from appropriations made pursuant to subsection (d) in conjunction with its other resources, may conduct demonstrations to test more effective methods of providing coordination and services to ensure long term family self-sufficiency through community-based comprehensive family support services involving a partnership between the State agency administering or supervising the administering of the State's plan under section 402 of the Social Security Act and community-based organizations having experience and demonstrated effectiveness in providing services.

(d) **AUTHORIZATION OF APPROPRIATIONS.**—For the purpose of making grants to States to conduct demonstration projects under this section, there is authorized to be appropriated not to exceed \$6,000,000 for each of the fiscal years 1990, 1991, and 1992.

SEC. 502. DEMONSTRATION PROJECTS TO ENCOURAGE STATES TO EMPLOY PARENTS RECEIVING AFDC AS PAID CHILD CARE PROVIDERS.

Grants.
42 USC 1315
note.

(a) **IN GENERAL.**—In order to encourage States to employ or arrange for the employment of parents of dependent children receiving aid under State plans approved under section 402(a) of the Social Security Act as providers of child care for other children receiving such aid, up to 5 States may undertake and carry out demonstration projects designed to test whether such employment will effectively facilitate the conduct of the job opportunities and basic skills training program under part F of title IV of such Act by making additional child care services available to meet the requirements of section 402(g)(1)(A) of such Act while affording significant numbers

of families receiving such aid a realistic opportunity to avoid welfare dependence through employment as a child care provider.

(b) **CONSIDERATION OF APPLICATIONS.**—The Secretary of Health and Human Services shall consider all applications received from States desiring to conduct demonstration projects under this section, shall approve up to 5 applications involving projects which appear likely to contribute significantly to the achievement of the purpose of this section, and shall make grants to those States the applications of which are approved to assist them in carrying out such projects. Each project conducted under this section shall meet such conditions and requirements as the Secretary shall prescribe.

(c) **LIMITATION ON AUTHORIZATION OF APPROPRIATIONS.**—For the purpose of making grants to States to carry out demonstration projects under this section, there is authorized to be appropriated not to exceed \$1,000,000 for each of the fiscal years 1990, 1991, and 1992.

(d) **EFFECTIVE DATE.**—This section shall become effective on October 1, 1989.

Contracts.

SEC. 503. DEMONSTRATION PROJECTS TO TEST ALTERNATIVE DEFINITIONS OF UNEMPLOYMENT.

42 USC 1315.

Section 1115 of the Social Security Act is amended by adding at the end the following new subsection:

“(d)(1)(A) The Secretary shall enter into agreements with up to 8 States submitting applications under this subsection for the purpose of conducting demonstration projects in such States to test and evaluate the use, with respect to individuals who received aid under part A of title IV in the preceding month (on the basis of the unemployment of the parent who is the principal earner), of a number greater than 100 for the number of hours per month that such individuals may work and still be considered to be unemployed for purposes of section 407. If any State submits an application under this subsection for the purpose of conducting a demonstration project to test and evaluate the total elimination of the 100-hour rule, the Secretary shall approve at least one such application.

“(B) If any State with an agreement under this subsection so requests, the demonstration project conducted pursuant to such agreement may test and evaluate the complete elimination of the 100-hour rule and of any other durational standard that might be applied in defining unemployment for purposes of determining eligibility under section 407.

“(2) Notwithstanding section 402(a)(1), a demonstration project conducted under this subsection may be conducted in one or more political subdivisions of the State.

“(3) An agreement under this subsection shall be entered into between the Secretary and the State agency designated under section 402(a)(3). Such agreement shall provide for the payment of aid under the applicable State plan under part A of title IV as though section 407 had been modified to reflect the definition of unemployment used in the demonstration project but shall also provide that such project shall otherwise be carried out in accordance with all of the requirements and conditions of section 407 (and, except as provided in paragraph (2), any related requirements and conditions under part A of title IV).

“(4) A demonstration project under this subsection may be commenced any time after September 30, 1990, and shall be conducted for such period of time as the agreement with the Secretary may

provide; except that, in no event may a demonstration project under this section be conducted after September 30, 1995.

“(5)(A) Any State with an agreement under this subsection shall evaluate the comparative cost and employment effects of the use of the definition of unemployment in its demonstration project under this section by use of experimental and control groups comprised of a random sample of individuals receiving aid under section 407 and shall furnish the Secretary with such information as the Secretary determines to be necessary to evaluate the results of the project conducted by the State.

“(B) The Secretary shall report the results of the demonstration projects conducted under this subsection to the Congress not later than 6 months after all such projects are completed.”.

Reports.

SEC. 504. DEMONSTRATION PROJECTS TO ADDRESS CHILD ACCESS PROBLEMS.

42 USC 1315
note.

(a) IN GENERAL.—Any State may establish and conduct one or more demonstration projects (in accordance with such terms, conditions, and requirements as the Secretary of Health and Human Services shall prescribe, except that no such project may include the withholding of aid to families with dependent children pending visitation) to develop, improve, or expand activities designed to increase compliance with child access provisions of court orders.

(b) ACTIVITIES UNDER PROJECT.—Activities that may be funded by a grant under this section include (whether conducted through the executive, legislative, or judicial branches of the State) the development of systematic procedures for enforcing access provisions of court orders, the establishment of special staffs to deal with and mediate disputes involving access (both before and after a court order has been issued), and the dissemination of information to parents.

Grants.
Public
information.

(c) OTHER REQUIREMENTS.—In the case of any experimental, pilot, or demonstration project undertaken under this section, the project—

(1) must be designed to improve the financial well-being of families with children or otherwise improve the operation of the program or programs involved; and

(2) may not permit modifications in any program which would have the effect of disadvantaging children in need.

(d) AUTHORIZATION OF APPROPRIATIONS.—For the purpose of making grants to States to assist in financing the projects established under this section, there is authorized to be appropriated not to exceed \$4,000,000 for each of the fiscal years 1990 and 1991.

Grants.

(e) REPORT.—Not later than July 1, 1992, the Secretary of Health and Human Services shall submit to the Congress a report on the effectiveness of the demonstration projects established under this section in—

(1) decreasing the time required for the resolution of disputes related to child access,

(2) reducing litigation relating to access disputes, and

(3) improving compliance with court-ordered child support payments.

Contracts.
42 USC 1315
note.

SEC. 505. DEMONSTRATION PROJECTS TO EXPAND THE NUMBER OF JOB OPPORTUNITIES AVAILABLE TO CERTAIN LOW-INCOME INDIVIDUALS.

(a) **IN GENERAL.**—The Secretary of Health and Human Services (in this section referred to as the “Secretary”) shall enter into agreements with not less than 5 nor more than 10 nonprofit organizations (including community development corporations) submitting applications under this section for the purpose of conducting demonstration projects in accordance with subsection (b) to create employment opportunities for certain low-income individuals.

(b) **NATURE OF PROJECT.**—(1) Each nonprofit organization conducting a demonstration project under this section shall provide technical and financial assistance to private employers in the community to assist them in creating employment and business opportunities for those individuals eligible to participate in the projects as described in this subsection.

(2) For purposes of this section, a nonprofit organization is any organization (including a community development corporation) exempt from taxation under section 501(a) of the Internal Revenue Code of 1986 by reason of paragraph (3) or (4) of section 501(c) of such Code.

(3) A low-income individual eligible to participate in a project conducted under this section is any individual eligible to receive aid to families with dependent children under part A of title IV of the Social Security Act and any other individual whose income level does not exceed 100 percent of the official poverty line as defined by the Office of Management and Budget and revised in accordance with section 673(2) of the Omnibus Budget Reconciliation Act of 1981.

(c) **CONTENT OF APPLICATIONS; SELECTION PRIORITY.**—(1) Each nonprofit organization submitting an application under this section shall, as part of such application, describe—

(A) the technical and financial assistance that will be made available under the project conducted under this section;

(B) the geographic area to be served by the project;

(C) the percentage of low-income individuals (as described in subsection (b)) and individuals receiving aid to families with dependent children under title IV of the Social Security Act in the area to be served by the project; and

(D) unemployment rates in the geographic areas to be served and (to the extent practicable) the jobs available and skills necessary to fill those vacancies in such areas.

(2) In approving applications under this section, the Secretary shall give priority to applications proposing to serve those areas containing the highest percentage of individuals receiving aid to families with dependent children under title IV of such Act.

(d) **ADMINISTRATION.**—Each nonprofit organization participating in a demonstration project conducted under this section shall provide assurances in its agreement with the Secretary that it has or will have a cooperative relationship with the agency responsible for administering the job opportunities and basic skills training program (as provided for under title IV of the Social Security Act) in the area served by the project.

(e) **DURATION.**—Each demonstration project conducted under this section shall be commenced not later than September 30, 1989, and shall be conducted for a 3-year period; except that the Secretary

may terminate a project before the end of such period if he determines that the nonprofit organization conducting the project is not in substantial compliance with the terms of the agreement entered into with the Secretary under this section.

(f) **EVALUATION AND REPORT.**—(1) The Secretary shall conduct an evaluation of the success of each demonstration project conducted under this section in creating job opportunities and may require each nonprofit organization conducting such a project to provide the Secretary with such information as the Secretary determines is necessary to prepare the report described in paragraph (2).

(2) Not later than January 1, 1993, the Secretary shall submit to the Congress a report containing a summary of the evaluations conducted under paragraph (1), together with such recommendations as the Secretary determines are appropriate.

(g) **AUTHORIZATION OF APPROPRIATIONS.**—For the purpose of making grants to conduct demonstration projects under this section, there is authorized to be appropriated not to exceed \$6,500,000 for each of the fiscal years 1990, 1991, and 1992.

Grants.

SEC. 506. DEMONSTRATION PROJECTS TO PROVIDE COUNSELING AND SERVICES TO HIGH-RISK TEENAGERS.

42 USC 1315
note.

(a) **FINDINGS AND PURPOSE.**—(1) The Congress finds that—

(A) the incidences of teenage pregnancy, suicide, substance abuse, and school dropout are increasing;

(B) research to date has established a link between low self-esteem, perceived limited life options and the risk of teenage pregnancy, suicide, substance abuse, and school dropout;

(C) little data currently exists on how to improve the self-image of and expand the life options available to high-risk teenagers; and

(D) there currently is no Federal program in place to address the unique and significant problems faced by today's teenagers.

(2) It is the purpose of the demonstration projects conducted under this section to provide programs in which a range of non-academic services (sports, recreation, the arts) and self-image counseling are provided to high-risk teenagers in order to reduce the rates of pregnancy, suicide, substance abuse, and school dropout among such teenagers.

(b) **IN GENERAL.**—The Secretary of Health and Human Services (in this section referred to as the "Secretary") shall enter into an agreement with each of 4 States submitting applications under this section for the purpose of conducting demonstration projects in accordance with this section to provide counseling and services to certain high-risk teenagers.

Contracts.

(c) **NATURE OF PROJECT.**—Under each demonstration project conducted under this section—

(1) The State shall establish a "Teen Care Plan" that shall consist of the following:

(A) A clearing house where high-risk teenagers will be referred to and encouraged to participate in non-academic activities (arts, recreation, sports) which are already in place in the community.

(B) A survey of the area to be targeted by the project to determine the need to fund and create new non-academic activities in the area.

(C) Counseling services utilizing qualified, locally licensed psychologists, social psychologists, or other mental health

Transportation.

professionals or related experts to provide individual and group counseling to participating high-risk teenagers.

(D) A program to provide participants in the project (to the extent practicable) with such transportation, child care, and equipment as is necessary to carry out the purposes of the project.

(2) The State shall designate two geographical areas within the State to be targeted by the project. One area will serve as the "home base" for the project, where services will be concentrated and in which a local school system will be selected to receive services and provide facilities for resource referral and counseling. The second geographical area will serve as a "peripheral" participant, receiving assistance and services from the home base.

(3) A high-risk teenager is any male or female who has reached the age of 10 years and whose age does not exceed 20 years, and who—

- (A) has a history of academic problems;
- (B) has a history of behavioral problems both in and out of school;
- (C) comes from a one-parent household; or
- (D) is pregnant or is a mother of a child.

(d) APPLICATIONS; SELECTION CRITERIA.—(1) In selecting States to conduct demonstration projects under this section, the Secretary—

(A) shall consult with the Consortium on Adolescent Pregnancy;

(B) shall consider—

- (i) the rate of teenage pregnancy in each State,
- (ii) the teenage school dropout rate in each State,
- (iii) the incidence of teenage substance abuse in each State, and
- (iv) the incidence of teenage suicide in each State; and

(C) shall give priority to States whose applications—

- (i) demonstrate a current strong State commitment aimed at reducing teenage pregnancy, suicide, drug abuse, and school dropout;
- (ii) contain a "State support agreement" signed by the Governor, the State School Commissioner, the State Department of Human Services, and the State Department of Education, pledging their commitment to the project;
- (iii) describe facilities and services to be made available by the State to assist in carrying out the project; and
- (iv) indicate a demonstrably high rate of alcoholism among its residents.

(2) Of the States selected to participate in the demonstration projects conducted under this section—

(A) one shall be a geographically small State with a population of less than 1,250,000;

(B) one shall be a State with a population of over 20,000,000; and

(C) two shall be States with populations of more than 1,000,000 but less than 20,000,000.

(e) EVALUATION AND REPORT.—(1) Each State conducting a demonstration project under this section shall submit to the Secretary for his approval an evaluation plan that provides for examining the effectiveness of the project in both the home base and peripheral area of the State.

(2) Not later than October 1, 1992, the Secretary shall submit to the Congress a report containing a summary of the evaluations conducted by States pursuant to the plans described in paragraph (1).

(f) FUNDING.—(1) Three-fifths of the total amount appropriated pursuant to this section for any fiscal year for each State conducting a demonstration project shall be expended by such State for the provision of services and facilities within the State's designated project home base, and 5 percent of such three-fifths shall be set aside for the conduct of the State's evaluation as provided for in subsection (e).

(2) Two-fifths of the total amounts appropriated pursuant to this section for any fiscal year for each State conducting a demonstration project shall be expended by such State for the provision of services and facilities within the State's designated peripheral area, and 5 percent of such two-fifths shall be set aside for the conduct of the State's evaluation as provided for in subsection (e).

(g) DURATION.—A demonstration project conducted under this section shall be commenced not later than September 30, 1989, and shall be conducted for a 3-year period; except that the Secretary may terminate a project before the end of such period if he determines that the State conducting the project is not in substantial compliance with the terms of the agreement entered into with the Secretary under this section.

Contracts.

(h) AUTHORIZATION OF APPROPRIATIONS.—For the purpose of funding in equal amounts each State demonstration project conducted under this section, there is authorized to be appropriated not to exceed \$1,500,000 for each of the fiscal years 1990, 1991, and 1992.

SEC. 507. EXTENSION OF MINNESOTA PREPAID MEDICAID DEMONSTRATION PROJECT.

Upon application by the State of Minnesota, the Secretary of Health and Human Services shall extend until June 30, 1990, the waiver granted to such State under section 1115(a) of the Social Security Act to conduct a prepaid medicaid demonstration project.

TITLE VI—MISCELLANEOUS PROVISIONS

SEC. 601. INCLUSION OF AMERICAN SAMOA AS A STATE UNDER TITLE IV.

(a) IN GENERAL.—The last sentence of section 1101(a)(1) of the Social Security Act (42 U.S.C. 1301(a)(1)) is amended to read as follows: "Such term when used in title IV also includes American Samoa."

(b) LIMITATION ON PAYMENTS TO AMERICAN SAMOA.—Section 1108 of such Act (42 U.S.C. 1308) is amended—

(1) by redesignating subsection (d) as subsection (e); and

(2) by inserting after subsection (c) the following new subsection:

"(d) The total amount certified by the Secretary under parts A and E of title IV with respect to a fiscal year for payment to American Samoa (exclusive of any amounts on account of services and items to which, in the case of part A of such title, section 403(k) applies) shall not exceed \$1,000,000."

(c) CONFORMING AMENDMENTS.—(1) Section 403 of such Act (42 U.S.C. 603) is amended—

(A) in paragraphs (1) and (2) of subsection (a), by striking “and Guam,” each place it appears and inserting in lieu thereof “Guam, and American Samoa,”; and

(B) in subsections (i)(4) and (j), by striking “or the Virgin Islands” and inserting in lieu thereof “the Virgin Islands, or American Samoa”.

(2) The heading of section 1108 of such Act (42 U.S.C. 1308) is amended to read as follows:

**“LIMITATION ON PAYMENTS TO PUERTO RICO, THE VIRGIN ISLANDS,
GUAM, AND AMERICAN SAMOA”.**

(3) The last sentence of section 1118 of such Act (42 U.S.C. 1318) is amended by inserting before the period the following: “, and shall, in the case of American Samoa, mean 75 per centum with respect to part A of title IV”.

42 USC 603 note.

(d) **EFFECTIVE DATE.**—The amendments made by this section shall become effective on October 1, 1988.

SEC. 602. INCREASE IN AMOUNT AVAILABLE FOR PAYMENT TO PUERTO RICO, THE VIRGIN ISLANDS, AND GUAM.

(a) **IN GENERAL.**—Section 1108(a) of the Social Security Act (42 U.S.C. 1308(a)) is amended—

(1) in paragraph (1)—

(A) by striking “or” at the end of subparagraph (E); and
(B) by striking subparagraph (F) and inserting in lieu thereof the following:

“(F) \$72,000,000 with respect to each of the fiscal years 1979 through 1988, or

“(G) \$82,000,000 with respect to the fiscal year 1989 and each fiscal year thereafter.”;

(2) in paragraph (2)—

(A) by striking “or” at the end of subparagraph (E); and
(B) by striking subparagraph (F) and inserting in lieu thereof the following:

“(F) \$2,400,000 with respect to each of the fiscal years 1979 through 1988, or

“(G) \$2,800,000 with respect to the fiscal year 1989 and each fiscal year thereafter.”; and

(3) in paragraph (3)—

(A) by striking “or” at the end of subparagraph (E); and
(B) by striking subparagraph (F) and inserting in lieu thereof the following:

“(F) \$3,300,000 with respect to each of the fiscal years 1979 through 1988, or

“(G) \$3,800,000 with respect to the fiscal year 1989 and each fiscal year thereafter.”.

42 USC 1308
note.

(b) **EFFECTIVE DATE.**—The amendments made by subsection (a) shall become effective on October 1, 1988.

SEC. 603. ASSISTANT SECRETARY FOR FAMILY SUPPORT.

(a) **IN GENERAL.**—Part A of title IV of the Social Security Act (as amended by the preceding provisions of this Act) is further amended by adding at the end the following new section:

"ASSISTANT SECRETARY FOR FAMILY SUPPORT

"SEC. 418. The programs under this part, part D, and part F shall be administered by an Assistant Secretary for Family Support within the Department of Health and Human Services, who shall be appointed by the President, by and with the advice and consent of the Senate, and who shall be in addition to any other Assistant Secretary of Health and Human Services provided for by law."

President of U.S.

(b) **COMPENSATION.**—Section 5315 of title 5, United States Code, is amended by striking "(4)" at the end of the item relating to Assistant Secretaries of Health and Human Services and inserting in lieu thereof "(5)".

(c) **EFFECTIVE DATE.**—The amendments made by this section shall become effective on February 1, 1989.

42 USC 618 note.

SEC. 604. RESPONSIBILITIES OF THE STATE.

(a) **IN GENERAL.**—Section 402(a) of the Social Security Act (as amended by sections 201(a), 401(a), 401(f), and 403(a) of this Act) is amended—

- (1) by striking "and" at the end of paragraph (42);
- (2) by striking the period at the end of paragraph (43) and inserting in lieu thereof "; and"; and
- (3) by inserting immediately after paragraph (43) the following new paragraph:

"(44) provide that the State agency shall—

"(A) be responsible for assuring that the benefits and services under the programs under this part, part D, and part F are furnished in an integrated manner, and

"(B) consistent with the provisions of this title, ensure that all applicants for and recipients of aid to families with dependent children are encouraged, assisted, and required to cooperate in the establishment of paternity and the enforcement of child support obligations, and are notified of the paternity establishment and child support services for which they may be eligible."

(b) **EFFECTIVE DATE.**—The amendments made by subsection (a) shall become effective on July 1, 1989.

42 USC 602 note.

SEC. 605. ESTABLISHMENT OF PREELIGIBILITY FRAUD DETECTION MEASURES.

(a) **IN GENERAL.**—Section 402(a) of the Social Security Act (as amended by sections 201(a), 401(a), 401(f), 403(a), and 604(a) of this Act) is amended—

- (1) by striking "and" at the end of paragraph (43);
- (2) by striking the period at the end of paragraph (44) and inserting in lieu thereof "; and"; and
- (3) by inserting immediately after paragraph (44) the following new paragraph:

"(45) provide (in accordance with regulations issued by the Secretary) for appropriate measures to detect fraudulent applications for aid to families with dependent children prior to the establishment of eligibility for such aid."

(b) **EFFECTIVE DATE; REGULATIONS.**—(1) The amendments made by subsection (a) shall become effective on October 1, 1989.

42 USC 602 note.

(2) The Secretary of Health and Human Services shall issue final regulations with respect to the requirement added by the amend-

Regulations.

ment made by subsection (a) not later than 6 months after the date of the enactment of this Act.

SEC. 606. UNIFORM REPORTING REQUIREMENTS.

42 USC 603.

Section 403 of the Social Security Act is amended by inserting immediately before subsection (f) the following new subsection:

“(e) In order to assist in obtaining the information needed to carry out subsection (b)(1) and otherwise to perform his duties under this part, the Secretary shall establish uniform reporting requirements under which each State will be required periodically to furnish such information and data as the Secretary may determine to be necessary to ensure that sections 402(a)(37), 402(a)(43), and 402(g)(1)(A), are being effectively implemented, including at a minimum the average monthly number of families assisted under each such section, the types of such families, the amounts expended with respect to such families, and the length of time for which such families are assisted. The information and data so furnished with respect to families assisted under section 402(g) shall be separately stated with respect to families who have earnings and those who do not, and with respect to families who are receiving aid under the State plan and those who are not.”.

SEC. 607. STATE REPORTS ON EXPENDITURE AND USE OF SOCIAL SERVICES FUNDS.

42 USC 1397e.

Section 2006 of the Social Security Act is amended—

(1) by striking that part of the second sentence of subsection (a) which precedes “as the State finds necessary” and inserting in lieu thereof “Reports shall be prepared annually, covering the most recently completed fiscal year, and shall be in such form and contain such information (including but not limited to the information specified in subsection (c))”;

(2) by redesignating subsection (c) as subsection (d); and

(3) by inserting after subsection (b) the following new subsection:

“(c) Each report prepared and transmitted by a State under subsection (a) shall set forth (with respect to the fiscal year covered by the report)—

“(1) the number of individuals who received services paid for in whole or in part with funds made available under this title, showing separately the number of children and the number of adults who received such services, and broken down in each case to reflect the types of services and circumstances involved;

“(2) the amount spent in providing each such type of service, showing separately for each type of service the amount spent per child recipient and the amount spent per adult recipient;

“(3) the criteria applied in determining eligibility for services (such as income eligibility guidelines, sliding fee scales, the effect of public assistance benefits, and any requirements for enrollment in school or training programs); and

“(4) the methods by which services were provided, showing separately the services provided by public agencies and those provided by private agencies, and broken down in each case to reflect the types of services and circumstances involved.

The Secretary shall establish uniform definitions of services for use by the States in preparing the information required by this subsection, and make such other provision as may be necessary or appro-

prate to assure that compliance with the requirements of this subsection will not be unduly burdensome on the States.”.

SEC. 608. MISCELLANEOUS TECHNICAL CORRECTIONS TO MEDICARE CATASTROPHIC COVERAGE ACT OF 1988.

(a) **MODIFICATION OF PROVISIONS RELATING TO EMPLOYMENT MAINTENANCE OF EFFORT.**—Section 421 of the Medicare Catastrophic Coverage Act of 1988 is amended—

42 USC 1395b
note.

(1) in subsection (a)(1)—

(A) by striking “(c)(1)” and inserting “(c)(1)(A)”, and

(B) by striking “during the period described in subsection (c)(1)(A)” and inserting “(determined as if they were provided in that period)”;

(2) in subsection (a)(2)—

(A) by striking “(c)(2)” and inserting “(c)(1)(B)”, and

(B) by striking “during the period described in subsection (c)(1)(B)” and inserting “(determined as if they were provided in that period)”;

(3) in subsections (a)(3)(A) and (a)(3)(B), by inserting “provided as of the date of the enactment of this Act” after “means benefits”;

(4) in subsection (b)(1)—

(A) by inserting “1989” after “50 percent of the”, and

(B) by striking “of the duplicative part A benefits” and inserting “of the benefits under part A of title XVIII of the Social Security Act (as amended by this Act as of January 1, 1989) which were not covered under part A of title XVIII of the Social Security Act as such part was in effect on the day before the date of the enactment of this Act”;

(5) in subsection (b)(2)—

(A) by inserting “1990” after “50 percent of the”, and

(B) by striking “of the duplicative part B benefits” and inserting “of the benefits under part B of title XVIII of the Social Security Act (as amended by this Act as of January 1, 1990, but excluding any such benefits with respect to covered outpatient drugs) which were not covered under part B of title XVIII of the Social Security Act as such part was in effect on the day before the date of the enactment of this Act.”; and

(6) in subsection (b)(3)—

(A) in subparagraph (A), by striking “the actuarial value of duplicative part A benefits and duplicative part B benefits” and inserting “the amount of the additional benefits or refunds to be provided under subsections (a)(1) and (a)(2)”;

(B) in subparagraph (A)(i), by striking “on the basis of” and inserting “as being equal to the respective national”;

(C) in subparagraph (B), by striking “COMPUTATION OF ACTUARIAL VALUE” and inserting “PUBLICATION OF GUIDELINES AND NATIONAL AVERAGE ACTUARIAL VALUES FOR MINIMUM ADDITIONAL BENEFITS AND REFUNDS”; and

(D) by striking clause (i) of subparagraph (B) and all that follows through “shall include instructions” and inserting the following:

“(i) calculate and publish—

“(I) the national average actuarial value for the following year of the benefits under part A of title XVIII of the Social Security Act (as amended by

this Act as of January 1, 1989) which were not covered under such part as such part was in effect before the date of the enactment of this Act, and

“(II) the national average actuarial value for the following year of the benefits under part B of title XVIII of the Social Security Act (as amended by this Act as of January 1, 1990, but excluding any such benefits with respect to covered outpatient drugs) which were not covered under such part as such part was in effect before the date of the enactment of this Act,

to be used by employers who exercise the option under subparagraph (A)(i) in determining the minimum amount of additional benefits or refunds to be provided under subsections (a)(1) and (a)(2), respectively; and

“(ii) publish guidelines to be used by employers who exercise the option under subparagraph (A)(ii) in determining the minimum amount of additional benefits or refunds to be provided under subsections (a)(1) and (a)(2), respectively.

Public
information.

The Secretary shall publish, before the beginning of 1989 with respect to part A benefits and before the beginning of 1990 with respect to part B benefits, guidelines”.

(b) **INCLUSION OF PROVISIONS REPEALING AUTHORITY TO ADMINISTER PROFICIENCY EXAMINATIONS.**—The Medicare Catastrophic Coverage Act of 1988 is amended by inserting after section 429 the following new section (and by inserting a corresponding item in the table of contents of such Act):

“SEC. 430. REPEAL OF AUTHORITY TO ADMINISTER PROFICIENCY EXAMINATIONS.

“(a) **REPEAL.**—Section 1123 of the Social Security Act (42 U.S.C. 1320a-2) is repealed.

Health and
medical care.
42 USC 1320a-2
note.

“(b) **EFFECT OF REPEAL.**—Nothing in the amendment made by subsection (a) shall be construed as affecting the qualification of any individual, who has been determined under the program established under section 1123 of the Social Security Act to be qualified to perform the duties and functions of a health care specialty, to perform such duties and functions.”.

(c) **CONTINUATION OF COST PASS-THROUGH FOR CERTIFIED REGISTERED NURSE ANESTHETISTS.**—Section 9320 of the Omnibus Budget Reconciliation Act of 1986 is amended—

42 USC 1395k
note.

(1) in subsection (i), by striking “The amendments” and inserting “Except as provided in subsection (k), the amendments”, and

(2) by adding at the end the following new subsection:

Rural areas.
42 USC 1395k
note.
Health care
facilities.

“(k) **AUTHORIZATION OF CONTINUATION OF PASS-THROUGH.**—

“(1) Subject to paragraph (2), the amendments made by this section shall not apply during 1989, 1990, and 1991 to a hospital located in a rural area (as defined for purposes of section 1886(d) of the Social Security Act) if the hospital establishes, before April 1, 1989, to the satisfaction of the Secretary of Health and Human Services that—

Effective date.
Contracts.

“(A) as of January 1, 1988, the hospital employed or contracted with a certified registered nurse anesthetist (but not more than one full-time equivalent certified registered nurse anesthetist),

“(B) in 1987 the hospital had a volume of surgical procedures (including inpatient and outpatient procedures) requiring anesthesia services that did not exceed 250 (or such higher number as the Secretary determines to be appropriate), and

“(C) each certified registered nurse anesthetist employed by, or under contract with, the hospital has agreed not to bill under part B of title XVIII of such Act for professional services furnished by the anesthetist at the hospital.

Contracts.

“(2) Paragraph (1) shall not apply in 1990 or 1991 to a hospital unless the hospital establishes, before the beginning of each respective year, that the hospital has had a volume of surgical procedures (including inpatient and outpatient procedures) requiring anesthesia services in the previous year that did not exceed 250 (or such higher number as the Secretary determines to be appropriate).

“(3) The Secretary shall implement this subsection in such a manner as to maintain budget neutrality consistent with section 1833(1)(3) of the Social Security Act.”.

(d) MISCELLANEOUS TECHNICAL CORRECTIONS TO VARIOUS PROVISIONS IN THE MEDICARE CATASTROPHIC COVERAGE ACT OF 1988 (“MCCA”).—

(1) ABBREVIATIONS USED.—In this subsection:

(A) The term “MCCA” refers to the Medicare Catastrophic Coverage Act of 1988 (Public Law 100-360).

(B) The term “OBRA” refers to the Omnibus Budget Reconciliation Act of 1987 (Public Law 100-203).

(2) SECTION 103.—The second sentence of section 1818(d)(1) of the Social Security Act, as amended by section 103 of MCCA, is amended by striking “entire”.

(3) SECTION 104.—Section 104 of MCCA is amended—

(A) in subsection (a)(1), by striking “paragraphs (2) and (3)” and inserting “paragraph (2) and subsection (b)”;

42 USC 1395d note.

(B) in subsection (b)(1)—

42 USC 1395e note.

(i) by striking “(1) the amendment made to section 1813(a)(1) of such Act” and inserting “(1)(A) section 1813(a)(1) of such Act (as amended by this subtitle)”, and

(ii) by adding at the end the following new subparagraph:

“(B) if that individual begins a period of hospitalization (as defined in such section) during 1989 or 1990 after the end of that spell of illness, the first period of hospitalization during 1989 or 1990 that begins after that spell of illness shall be considered to be (for purposes of such section) the first period of hospitalization that begins during that year; and”;

Health and medical care.

(C) in subsections (c)(1) and (c)(2), by striking “by medicare beneficiaries” and inserting “by (or on behalf of) medicare beneficiaries”;

42 USC 1395ww note.

(D) in subsection (c)(2), by striking “cost reporting periods beginning on or after October 1, 1988” and inserting “portions of cost reporting periods occurring on or after January 1, 1989”;

Effective date.

(E) in subsection (c)(2), by inserting before the period at the end the following: “, without regard to whether such a hospital is paid on the basis described in subparagraph (A) or (B) of section 1886(b)(1) of such Act”;

42 USC 1395cc.

(F) in subsection (d)(5), by striking “each place it appears”; and

(G) by adding at the end of subsection (d) the following new paragraph:

Health and
medical care.

“(7) Section 1833(b) (42 U.S.C. 1395l(b)) is amended by adding at the end the following new sentence: ‘The deductible under the previous sentence for blood or blood cells furnished an individual in a year shall be reduced to the extent that a deductible has been imposed under section 1813(a)(2) to blood or blood cells furnished the individual in the year.’”.

42 USC 1395l.

(4) SECTION 201.—Section 201(a)(1)(A) of MCCA is amended by striking “subsection” and inserting “subsections”.

(5) SECTION 202.—(A) Section 1842(o)(1) of the Social Security Act, as added by section 202(c)(1)(C) of MCCA, is amended—

(i) in subparagraph (A)(i), by striking “subparagraph (D)(i)” and inserting “paragraph (4)”, and

(ii) in subparagraph (B)(ii), by inserting “an” before “eligible organization”.

(B) Section 1842(f)(3) of the Social Security Act, as added by section 202(e)(1) of MCCA, is amended by inserting “, including claims processing functions” after “and related functions”.

(C) Section 1842(b)(3)(K) of the Social Security Act, as inserted by section 202(e)(2)(B) of MCCA, is amended by inserting “, including claims processing functions,” after “and for related functions”.

(D) Section 1842(c)(1)(A)(ii) of the Social Security Act, as added by section 202(e)(3)(A)(iii) of MCCA, is amended by inserting “, including claims processing functions” after “and related functions”.

42 USC 1395u
note.

(E) Section 202(e)(3)(B) of MCCA is amended by inserting “, including claims processing functions” after “and related functions”.

42 USC 1395u.

(F) Section 202(e)(3)(C) of MCCA is amended by striking “Section 1842(b)(2)” and inserting “Section 1842(b)(2)(A)”.

(G) Section 1842(b)(2)(A) of the Social Security Act, as amended by section 202(e)(3)(C) of MCCA, as revised by the previous amendment, is amended by inserting “, including claims processing functions” after “and related functions”.

(H) Section 202(e)(5)(A) of MCCA is amended by—

(i) by striking “paragraph (3)” and inserting “paragraph (4)”, and

(ii) by adding “and” after the semicolon at the end.

(I) Section 1847(b)(3) of the Social Security Act, as added by section 202(j) of MCCA, is amended by striking “the contingency margin (established under section 1841A(d) for the following year)” and inserting “the contingency margin required for the following year”.

42 USC 1395x.

(6) SECTION 203.—(A) Section 1861 of the Social Security Act is amended by adding immediately before subsection (ij), as added by section 203(b) of MCCA, the following new heading:

“Home Intravenous Drug Therapy Services”.

102 Stat. 724.

(B) Section 203(c)(3) of MCCA is amended by adding at the end the following new sentence: “Chapter 35 of title 44, United States Code, shall not apply to information required for purposes of carrying out this paragraph.”.

(7) SECTION 205.—Section 205(e)(1)(A) of MCCA is amended by redesignating clause (iv) as clause (iii). 42 USC 1395y.

(8) SECTION 208.—The second sentence of section 208(b) of MCCA is amended by striking "shall include in the report" and inserting "shall report, not later than 2 years after the date of the enactment of this Act,". Reports.
42 USC 1395ll
note.

(9) SECTION 211.—(A) Section 1839(g) of the Social Security Act, as added by section 211(a) of MCCA, is amended—

(i) in paragraph (1)(B)(iii)(I), by striking "and" and inserting "over",

(ii) in paragraph (1)(B)(iii)(II), by inserting "premium" after "supplemental", and

(iii) in paragraph (7)(A)(ii), by inserting "each" before "such year,".

(B) Section 1839(f) of the Social Security Act, as amended by section 211(b) of MCCA, is amended by striking "for that January below the amount of benefits payable to that individual for that December" and inserting "for that December below the amount of benefits payable to that individual for that November".

(10) SECTION 212.—(A) Section 1841A(a)(1) of the Social Security Act, as inserted by section 212(a) of MCCA, is amended by striking "1841(j)" and inserting "1840(i)".

(B) Section 1840(i) of the Social Security Act, as added by section 212(b)(1) of MCCA, is amended by striking "Supplemental" and inserting "Supplementary".

(11) SECTION 213.—Section 213 of MCCA is amended by striking "(a) IN GENERAL.—".

(12) SECTION 221.—Section 221(g)(2) of MCCA is amended by striking "subsection (c)" and inserting "subsection (d)".

(13) SECTION 222.—Section 222 of MCCA is amended—

(A) in paragraph (1), by striking "sections 1833(a)(1)(A) and 1876" and inserting "section 1876", and

(B) in paragraph (2), by inserting "and organizations paid under section 1833(a)(1)(A) of such Act" after "organizations".

(14) SECTION 301.—Section 301 of MCCA is amended—

(A) in subsection (b)(1), by striking "clause (ii)" and inserting "subparagraph (B)" and by adding "and" at the end;

(B) by striking paragraph (2) of subsection (b) and by redesignating paragraph (3) of such subsection as paragraph (2);

(C) in subsection (b)(2), as so redesignated, by striking "by adding at the end the following new clause" and inserting "by striking subparagraph (B) and inserting the following";

(D) in the matter inserted by subsection (b)(2), as so redesignated and amended—

(i) by redesignating subclauses (I) through (IV) of clause (ii) and subclauses (I) through (V) of clause (iii) as clauses (i) through (iv) of subparagraph (B) and clauses (i) through (v) of subparagraph (C), respectively;

(ii) in subparagraph (B), as so redesignated, by striking "in clause (iii)" and inserting "in subparagraph (C)"; and

(iii) in subparagraph (C), as so redesignated, by striking "under clause (ii)" and inserting "under subparagraph (B)";

42 USC 1395t-2.
42 USC 1395ss
note.

42 USC 1395mm
note.

42 USC 1396d.

42 USC 1396d.

(E) in subsection (c)—

- (i) by adding “and” at the end of paragraph (1),
- (ii) by striking “; and” at the end of paragraph (2), and inserting a period, and
- (iii) by striking paragraph (3);

42 USC 1396d.

(F) in subsection (d)(2), in the subparagraph (C) amended by such paragraph, by inserting “section” before “1833(b)”;
 (G) in subsection (d)—

- (i) by redesignating paragraphs (1) through (3) as paragraphs (2) through (4), respectively, and
- (ii) by inserting before paragraph (2), as so redesignated, the following new paragraph:

“(1) in paragraph (3), by inserting ‘, without regard to whether the costs incurred were for items and services for which medical assistance is otherwise available under the plan’ after ‘qualified medicare beneficiary’ the first place it appears;”;

42 USC 1395v.

(H) in subsection (e)(1)—

- (i) by inserting “(A)” before “Section”, and
- (ii) by adding at the end the following new subparagraphs:

42 USC 1396a note.

“(B) Subsection (h)(1) of such section is further amended by inserting ‘(A)’ after ‘include’ and by inserting before the period at the end the following: ‘, or (B) qualified medicare beneficiaries (as defined in section 1905(p)(1))’.

“(C) The second sentence of subsection (h)(2) of such section is amended by inserting ‘(except in the case of qualified medicare beneficiaries, as defined in section 1905(p)(1))’ after ‘shall be applied’ the second place it appears.”;

42 USC 1396a.

(I) in subsection (e)(2)—

- (i) in subparagraph (C), by striking “and” at the end and by redesignating such subparagraph as subparagraph (D);
- (ii) in subparagraph (D), by striking the period at the end and inserting “, and” and by redesignating such subparagraph as subparagraph (E); and
- (iii) by inserting after subparagraph (B) the following new subparagraph:

“(C) in subsection (a), by striking paragraph (15);”;

42 USC 1396d.

(J) in paragraph (5)(B) of the matter added by subsection (g)(2)—

- (i) by striking “paragraph (2)(A)” and inserting “paragraph (2)”, and
- (ii) by striking “clause (ii)” and inserting “subparagraph (B)”; and

42 USC 1396a note.

(K) in subsection (h)(2), by inserting “first calendar quarter beginning after the close of the” after “additional requirements before the first day of the”.

42 USC 1396a.

(15) SECTION 302.—(A) Section 302(a)(2)(B) of MCCA is amended—

- (i) in clause (i), by striking “not more” the first place it appears and inserting “(not more)”, and
- (ii) in clause (iii), by striking “clause” and inserting “clauses”.

(B) Section 1902(1)(2)(A) of the Social Security Act, as amended by section 302(a)(2)(B)(iii) of MCCA, is amended—

- (i) in clause (ii)—

(I) by striking "Subject to clause (iii), the" and inserting "The",

(II) in subclause (I), by inserting "or, if greater, the percentage provided under clause (iii)," after "75 percent,"; and

(ii) in clause (iii), by striking "(ii)" each place it appears and inserting "(ii)(I)".

(C) Section 1923(a)(2) of the Social Security Act is amended by indenting the subparagraph (C) added by section 302(b)(2) of MCCA 2 ems.

42 USC 1396r-4.

(16) SECTION 303.—(A) Section 1924 of the Social Security Act, as inserted by section 303(a)(1)(B) of MCCA, is amended—

(i) in the last sentence of subsection (c)(1)(B), by striking "has right to a fair hearing" and all that follows through "needs allowance" and inserting "will have a right to a fair hearing under subsection (e)(2)";

(ii) in subsection (c)(2)(B), by striking "resources shall not" and all that follows through "does not exceed" and inserting "resources shall be considered to be available to an institutionalized spouse, but only to the extent that the amount of such resources exceeds";

(iii) in subsection (d)(3)(A)(i), by striking "nonfarm";

(iv) in subsection (d)(4), by striking "subparagraph (C)" and inserting "subparagraph (B)";

(v) in the first sentence of subsection (e)(2)(A), by inserting before the period at the end the following: "if an application for benefits under this title has been made on behalf of the institutionalized spouse";

(vi) in subsection (f)(1)—

(I) by striking "to the community spouse (or to another for the sole benefit of the community spouse)", and

(II) by striking "pacticable" and inserting "practicable"; and

(vii) in subsection (f)(3), by striking "spouse of a family member" and inserting "spouse or a family member".

(B) Section 1917(c) of the Social Security Act, as amended by section 303(b) of MCCA, is amended—

(i) in paragraph (1)—

(I) by inserting "for nursing facility services and for a level of care in a medical institution equivalent to that of nursing facility services and for services under section 1915(c)" after "period of ineligibility" the first place it appears,

(II) by inserting "or after" after "during", and

(III) by striking "the individual's application for medical assistance under the State plan" and inserting "the date the individual becomes an institutionalized individual (if the individual is entitled to medical assistance under the State plan on such date) or, if the individual is not so entitled, the date the individual applies for such assistance while an institutionalized individual";

(ii) in paragraph (2)(A)(ii), by inserting "(I)" after "who" and by inserting "(II)" after "or" the first place it appears;

(iii) in paragraph (2)(A)(iii), by striking "of the individual's admission to the medical institution or nursing

Health and medical care.
Health care facilities.

facility" and inserting "the individual becomes an institutionalized individual";

(iv) in paragraph (2)(A)(iv), by striking "of such individual's admission to the medical institution or nursing facility" and inserting "the individual becomes an institutionalized individual";

(v) in paragraph (2)(B)—

(I) by inserting "(i)" after "transferred", and

(II) by striking "or the individual's child who is blind or permanently and totally disabled" and inserting ", (ii) to the individual's child described in subparagraph (A)(ii)(II), or (iii) to (or to another for the sole benefit of) the individual's spouse if such spouse does not transfer such resources to another person other than the spouse for less than fair market value";

(vi) in paragraph (3), by striking "in a medical institution or nursing facility" and inserting "in a nursing facility, who is an inpatient in a medical institution and with respect to whom payment is made based on a level of care provided in a nursing facility, or who is described in section 1902(a)(10)(A)(ii)(VI)"; and

(vii) by adding at the end the following new paragraph:

"(5) In this subsection, the term 'resources' has the meaning given such term in section 1613, without regard to the exclusion described in subsection (a)(1) thereof."

(C) Section 1902(r)(2)(A) of the Social Security Act, as added by section 303(e)(5)(C) of MCCA, is amended by striking "or under subsection (f)" and inserting "or (f) or under section 1905(p)".

(D) Section 303(g) of MCCA is amended—

(i) in paragraph (2)(B), by inserting before the period at the end the following: ", except that such section shall not apply with respect to inter-spousal transfers occurring before October 1, 1989";

(ii) in paragraph (2)(C), by inserting before the period at the end the following: ", and the laws and policies established by the State as of June 30, 1988, or provided for before July 1, 1988, shall continue to apply through September 30, 1989, (and may, at a State's option continue after such date) to inter-spousal transfers occurring before October 1, 1989"; and

(iii) in paragraph (5), by striking "other than subsection (e)" and inserting "other than paragraphs (1) and (5) of subsection (e)".

(17) SECTION 411(a).—Section 1842(n)(1)(A) of the Social Security Act, as clarified by section 411(a)(3)(C) of MCCA, is amended by striking "the the supplier's" and inserting "the supplier's".

(18) SECTION 411(b).—(A) Subclauses (III) and (IV) of section 1886(b)(3)(B)(i) of the Social Security Act, as amended by section 411(b)(1)(A) of MCCA, are amended by striking "for for hospitals" and inserting "for hospitals".

(B) Section 411(b)(1)(E) of MCCA is amended by designating subparagraph (E) as clause (ii) and by inserting immediately before such subparagraph the following:

"(E)(i) Section 1886(d)(3)(A)(i) of the Social Security Act, as amended by section 4002(c)(1)(B)(i) of OBRA, is amended by striking 'occurring' and inserting 'occurring'."

Blind persons.
Handicapped
persons.

Health care
facilities.

42 USC 1396r-5
note.

Termination
date.

42 USC 1395ww.

(C) Section 411(b)(4) of MCCA is amended by adding at the end the following new subparagraph: 42 USC 1395ww.

“(E) Section 4005(b)(3)(B) of OBRA is amended by striking ‘on’ after ‘(B)’.”.

(D) Section 411(b)(6)(C) of MCCA is amended—

(i) in clause (ix)(I), by striking “payors” and inserting “payers”,

42 USC 1395ww
note.

(ii) in clause (ix)(III), by striking “and” before “other persons”, and

(iii) in clause (x)(II), by striking “operation” and inserting “operations”.

(E) Section 411(b)(8)(A)(i) of MCCA is amended, in paragraph 1(X)(ii) of the amendment inserted by such section, by inserting “the” immediately before “previous”. 42 USC 1395dd.

(19) SECTION 411(c).—Section 411(c) of MCCA is amended—

(A) in paragraph (2), by adding at the end the following new subparagraph:

42 USC 1395cc.

“(C) Section 1866(a)(1) of the Social Security Act, as amended

by section 4012(a) of OBRA, is amended—

“(i) by striking ‘and’ at the end of subparagraph (M), and

“(ii) by striking the period at the end of subparagraph (N) and inserting ‘, and’.”;

(B) in paragraph (4)—

42 USC 1395mm.

(i) by striking “and” at the end of subparagraph (A),

(ii) by redesignating subparagraph (B) as subparagraph (C), and

(iii) by inserting after subparagraph (A) the following new subparagraph:

“(B) in subparagraph (B)(i), by inserting ‘of such subparagraph’ after ‘(v)(I), and’; and

(C) by redesignating paragraph (5) as paragraph (6) and by inserting after paragraph (4) the following new paragraph:

42 USC 1395mm.

“(5) SECTION 4015.—Section 4015(a) of OBRA is amended—

42 USC 1395mm
note.

“(A) in the first sentence of paragraph (7) by striking ‘the the’ and inserting ‘the’, and

“(B) in paragraph (10), by striking ‘affect’ and inserting ‘effect’.”.

(20) SECTION 411(d).—(A) Section 411(d)(2)(A) of MCCA is amended by striking “by inserting” and all that follows and inserting the following: “to read as follows: ‘The provisions of section 1128A (other than subsections (a) and (b)) shall apply to a civil money penalty under this paragraph in the same manner as such provisions apply to a penalty or proceeding under section 1128A.’”.

42 USC 1395bbb.

(B) Section 411(d)(4)(A) of MCCA is amended—

42 USC 1395aa.

(i) in clause (i)—

(I) by striking “accreditation” the first place it appears and inserting “certification”, and

(II) by striking “accreditation survey conducted by a State agency or” and inserting “certification survey conducted by a State agency or accreditation survey conducted by a”; and

(ii) in clause (ii), amend subclause (II) to read as follows:

“(II) by striking ‘pursuant to an agreement with the Secretary under section 1864’ and inserting ‘utilized by the Secretary under section 1865’.”.

Contracts.

42 USC 1395aa.

(C) Section 411(d)(4)(A)(ii)(I) of MCCA is amended by striking "such".

42 USC 1395bb.

(D) The subsection inserted by section 411(d)(4)(B)(ii) of MCCA is amended by striking "agency" and inserting "agency)".

(21) SECTION 411(f).—(A) Section 1842(i)(3) of the Social Security Act, as redesignated by section 4042(b)(1)(C)(iii) of OBRA as amended by section 411(f)(2)(C) of MCCA, is amended by striking "paragraph (3)" and inserting "subsection (b)(3)".

42 USC 1395u.

(B) Section 411(f)(2)(F)(i) of MCCA is amended, in the matter inserted by such section—

(i) by striking "139u(b)(4)(A)" and inserting "1395u(b)(4)(A)", and

(ii) by striking the closing single quotation mark and the period that follows it.

42 USC 1395m.

(C) Section 411(f)(8)(D) of MCCA is amended by redesignating clauses (ii) through (v) as clauses (iii) through (vi), respectively, and by inserting after clause (i) the following new clause:

"(ii) in paragraph (4)(C), by striking 'Radiologist' and inserting 'For radiologist', and by striking '1842(b)(4)(E)(ii)' and inserting '1842(i)(3)';".

42 USC 1395u.

(D) Section 411(f)(9)(B) of MCCA is amended by inserting "and inserting 'or other applicable limit'" before the semicolon at the end.

42 USC 1395ccc.

(E) Section 411(f)(10)(A)(iii) of MCCA is amended by striking "physician" and inserting "individual".

(F) Section 411(f)(10)(C)(i) of MCCA is amended—

(i) by striking "and" at the end of subclause (V),

(ii) by striking the period at the end of subclause (VI) and inserting "and", and

(iii) by adding at the end the following new subclause:

"(VII) in subsection (d)(2), by striking 'continued' and inserting 'continues'".

(G) Subclause (II) of section 411(f)(10)(C)(i) of MCCA is amended to read as follows:

"(II) by striking 'physician' and 'a physician' each place either appears (other than the third place either appears in subsection (a)(4)) and inserting 'individual' and 'an individual', respectively;"

(H) Section 411(f)(10)(C)(i)(IV) of MCCA is amended—

(i) by striking "paragraph (1)(A)" and inserting "subsection (a)(1)(A)", and

(ii) by striking the comma after "Loan Program".

42 USC 1395m.

(22) SECTION 411(g).—(A) Section 411(g)(1)(B) of MCCA is amended—

(i) by amending clause (xi) to read as follows:

"(xi) in paragraphs (8)(B) and (9)(B), by striking '(as defined in section 1886(d)(2)(D))' and inserting '(as defined by the Secretary)' and, in clause (i) of such paragraphs, by striking the comma after '1991';" and

(ii) by amending clause (xv) to read as follows:

"(xv) in paragraph (12), by striking 'for each region (as defined in section 1886(d)(2)(D))' and inserting 'for one or more entire regions defined for purposes of paragraphs (8)(B) and (9)(B); and".

(B) Section 1833(i)(6) of the Social Security Act, as added by section 4063(e)(1) of OBRA as amended by section 411(g)(2)(E) of

MCCA, is amended by striking "other than" the first place it appears and inserting "including".

(C) Section 411(g)(3)(G)(i)(I) of MCCA is amended by striking "and 'certification'" and by striking "and 'approval'", respectively". 42 USC 1395w-2.

(D) Section 411(g)(4)(C)(i) of MCCA is amended by striking the comma after "1988" the first place it appears. 42 USC 1395l.

(23) SECTION 411(h).—(A) Section 411(h)(3)(B) of MCCA is amended by redesignating clauses (i) and (ii) as clauses (ii) and (iii), respectively, and by inserting before clause (ii), as so redesignated, the following new clause: 42 USC 1395l.

"(i) by striking '1395' and inserting '1395l'".

(B) Section 1861(s)(2)(K)(i)(I) of the Social Security Act, as designated by the amendment made by section 411(h)(6) of MCCA, is amended by striking "intermediate care facility (as defined in section 1905(c))" and inserting "nursing facility (as defined in section 1919(a))".

(24) SECTION 411(i).—(A) Section 411(i)(1)(E) of MCCA is amended by striking the comma after "1988". 42 USC 1395ss note.

(B) The paragraph (26) added by section 411(i)(4)(C)(vi) of MCCA is amended— 42 USC 1395u.

(i) by striking "and" at the end of subparagraph (A),
(ii) by adding "and" at the end of clause (i) of subparagraph (B), and

(iii) by redesignating clause (iii) of subparagraph (B) as subparagraph (C) and by moving the indentation of such subparagraph 2 ems to the left.

(C) Section 411(i)(4) of MCCA is amended— 42 USC 1395y.

(i) in subparagraph (D)(i)(I), by striking ", 1842(j)(2), or 1867(d)" and inserting "or 1842(j)(2)", and

(ii) in subparagraph (D)(ii)—

(I) by inserting "and" at the end of subclause (III), 42 USC 1395aaa.

(II) by striking subclause (IV), and

(III) by redesignating subclause (V) as subclause (IV). 42 USC 1395y.

(25) SECTION 411(j).—(A) Section 411(j)(3) of MCCA is amended by adding at the end the following new subparagraph:

"(C) Section 4094(e) of OBRA is amended by striking 'feasability' and inserting 'feasibility'". 42 USC 1320c-5 note.

(B) Section 411(j)(4)(C) of MCCA is amended by striking "before 'paragraph (2)'" 42 USC 1320c-3.

(26) SECTION 411(k).—(A) Section 411(k)(6)(A)(vi)(IV) of MCCA is amended by striking "the election made by a State under" and inserting "whether the hospital is described in subparagraph (A) or (B) of". 42 USC 1396r-4.

(B) Section 411(k)(6)(A)(vii)(II) of MCCA is amended by inserting "the first place it appears" before the comma.

(C) The paragraph added by section 411(k)(6)(A)(vii)(III) of MCCA is amended by striking "Statewide" and inserting "statewide".

(D) Section 1923(b)(3)(B)(i) of the Social Security Act, as designated by section 411(k)(6)(B)(i) of MCCA and as amended by section 411(k)(6)(A)(v) of MCCA, is amended by inserting "of subparagraph (A)" after "clause (i)(II)".

(E) Section 1923(c) of the Social Security Act, as designated by section 411(k)(6)(B)(i) of MCCA, by striking "subsection (c)" and inserting "this subsection".

42 USC 1396r-4.

(F) Section 411(k)(6)(B)(vi) of MCCA is amended by striking “(c)” and inserting “(d)”.

102 Stat. 794.

(G) Section 411(k)(9) of MCCA is amended by striking “(A)” immediately after “—”.

42 USC 1320a-7, 1320a-7a.

(H) Section 411(k)(10)(B)(ii)(II) of MCCA is amended by striking “1128(a)” and “1320a-7(a)” and inserting “1128A(a)” and “1320a-7a(a)”, respectively.

(I) Section 1128A(l) of the Social Security Act, as added by section 4118(e)(1)(B) of OBRA and as amended by section 411(k)(10)(B)(ii)(III) of MCCA, is amended by inserting “for penalties, assessments, and an exclusion” after “liable”.

(J) Section 4118(e)(10)(C) of OBRA, as inserted by section 411(k)(10)(D) of MCCA, is amended by inserting “of subsection (i)” after “at the end”.

(K) Section 411(k)(10)(D) of MCCA is amended—

42 USC 1320a-7a.

(i) in the paragraph (6)(B) inserted by such section, by striking “or section 1867(d)(2)”, and

42 USC 704, 1396b, 1396d.

(ii) in subparagraphs (A) and (B) of the paragraph (11) inserted by such section and in the paragraphs (12) and (13) inserted by such section, by striking “1842(j)(2), or 1867(d)(2)” and inserting “or 1842(j)(2)”.

42 USC 1396r-1.

(L) Section 411(k)(16)(B) of MCCA is amended—

(i) by striking “and” at the end of clause (ii),

(ii) by redesignating clause (iii) as clause (iv), and

(iii) by inserting after clause (ii) the following new clause: “(iii) in clause (iii), by striking the period at the end and inserting ‘, or’, and”.

42 USC 1396n.

(M) Section 411(k)(17)(A)(iv) of MCCA is amended by inserting a comma immediately before “(d)” the second place it appears.

42 USC 1395i-3.

(27) SECTION 411(l).—(A) Section 411(l)(1)(A) of MCCA is amended by redesignating clauses (iv) through (xi) as clauses (v) through (xii), respectively, and by inserting after clause (iii) the following new clause:

“(iv) in subsection (c)(1), by adding at the end the following new subparagraph:

“(D) USE OF PSYCHOPHARMACOLOGIC DRUGS.—Psychopharmacologic drugs may be administered only on the orders of a physician and only as part of a plan (included in the written plan of care described in paragraph (2)) designed to eliminate or modify the symptoms for which the drugs are prescribed and only if, at least annually, an independent, external consultant reviews the appropriateness of the drug plan of each resident receiving such drugs.”.

(B) Section 411(l)(1) of MCCA is amended by adding at the end the following new subparagraph:

“(C) Section 4201(d) of OBRA, as amended by subparagraph (B), is further amended by adding at the end the following new paragraphs:

“(3) Section 1883(f) of such Act (42 U.S.C. 1395tt(f)) is amended by striking “section 1861(j)(15)” and inserting “section 1819”.

“(4) The third sentence of section 1864(a) of such Act (42 U.S.C. 1395aa(a)) is amended by striking “1861(j)” and inserting “1819(a)”

“(5) Section 1861(n) of such Act (42 U.S.C. 1395x(n)) is amended by striking “or (j)(1) of this section” and inserting “of this section or section 1819(a)(1)”.

(C) Section 411(l)(2)(A) of MCCA is amended by inserting a comma immediately after "this title" and immediately after "title XVIII". 42 USC 1395i-3, 1396r.

(D) Section 411(l)(2)(D)(i) of MCCA is amended by striking "care".

(E) Section 411(l)(3)(C) of MCCA is amended by inserting "(i)" after "(C)" and by adding at the end the following new clauses: 42 USC 1396d note.

"(ii) Section 4211 of OBRA (101 Stat. 1330-196) is amended by striking the following (and the immediately preceding quotation marks and period): 42 USC 1396r.

"(c) STATE REQUIREMENTS RELATING TO NURSING FACILITY REQUIREMENTS.—Section 1919 of such Act is further amended by adding at the end the following new subsection:."

"(iii) Section 1919(c)(2)(B)(iii)(III) of the Social Security Act, as inserted by section 4211(a)(3) of OBRA, is amended by striking 'responsible' and inserting 'responsible'." 42 USC 1396a.

(F) Section 411(l)(3)(H)(i) of MCCA is amended by striking "each place it appears".

(G) Section 411(l)(3)(H)(iii) of MCCA is amended by inserting "services" immediately after "nursing facility" the first place it appears.

(H) Section 411(l)(3) of MCCA is amended by adding at the end the following new subparagraph: 42 USC 1396a.

"(J) Section 4211(h)(2)(B) of OBRA is amended by inserting a comma before 'nursing facility,' the second place it appears." 42 USC 1395i-3, 1396r.

(I) Section 411(l)(5) of MCCA is amended by redesignating subparagraphs (F) and (G) as subparagraphs (G) and (H), respectively, and by inserting after subparagraph (E) the following new subparagraph:

"(F) in paragraph (2)(B)(ii), by striking 'practical' and inserting 'practicable';"

(J) Section 411(l)(6) of MCCA is amended by adding at the end the following new subparagraph: 42 USC 1396i.

"(F) Section 1910(b)(1) of the Social Security Act, as redesignated by section 4212(e)(3)(C) of OBRA, is amended by inserting 'or section 1919' after '1902(a)(28)'."

(K) Section 411(l)(9)(B)(ii) of MCCA is amended by striking "(c) as subsection (d)" and inserting "(b) as subsection (c)". 42 USC 1395i-3 note.

(L) Section 411(l) of MCCA is further amended by adding at the end the following new paragraph: 42 USC 1395i-3.

"(11) SECTION 4203.—Section 1819(h)(5) of the Social Security Act, as added by section 4203(a)(2) of OBRA, is amended by striking '(iii), and (iv) of paragraph (2)(A)' and inserting 'and (iii) of paragraph (2)(B)'."

(28) SECTION 411(n).—Section 411(n) of MCCA is amended by redesignating paragraph (3) as paragraph (4) and by inserting after paragraph (2) the following new paragraph: 42 USC 1396a and note.

"(3) SECTION 9116.—Subsection (d) of section 9116 of OBRA is amended to read as follows:

"(d) CONFORMING AMENDMENT.—Section 1923(a)(2) of the Social Security Act, as amended by section 4118(p)(9) of this Act, is amended by adding at the end the following new subparagraph:

"“(E) Section 1634(d) of this Act (relating to individuals who lose eligibility for SSI benefits due to entitlement to early widow's or widower's insurance benefits under section 202 (e) or (f) of this Act).”"

Insurance.

(29) **SECTION 411(p).**—Section 411 of MCCA is amended by adding at the end the following new subsection:

“(p) **MISCELLANEOUS.**—Section 2312(c) of the Deficit Reduction Act of 1984, as amended by section 9320(a) of the Omnibus Budget Reconciliation Act of 1986, is amended by striking ‘end’ and inserting ‘ends’.”

(30) **SECTION 428.**—(A) Subsection (c)(1) of section 1140 of the Social Security Act, as added by section 428(a) of MCCA, is amended to read as follows:

“(c)(1) The provisions of section 1128A (other than subsections (a), (b), (f), (h), and (i)) shall apply to civil money penalties under subsection (b) in the same manner as such provisions apply to a penalty or proceeding under section 1128A(a).”

(B) Section 428(b) of MCCA is amended by striking “MEDICAL” and inserting “MEDICARE”.

(e) **EXTENSION OF PILOT PROGRAM.**—The Secretary of Health and Human Services shall extend through December 31, 1989, the pilot test program, being conducted by States under the Annual Grant Award Study established by the Joint State/Federal Cash Management Reform Task Force, on the same terms and conditions that existed as of September 30, 1988.

(f) **MISCELLANEOUS CORRECTIONS.**—

(1) Section 1866 of the Social Security Act (42 U.S.C. 1395cc) is amended by striking subsection (f).

(2) Section 1915(a)(2) of the Social Security Act, as amended by section 8(h)(2) of Public Law 100-93, is amended by striking “Restricts” and inserting “restricts”.

(3) Section 1905(o) of the Social Security Act is amended by moving the indentation of paragraph (3), as added by section 9435(b)(2) of Public Law 99-509, 2 ems to the left.

(4) Section 1903(m)(2)(B)(i)(II) of the Social Security Act is amended by striking “1902(a)(13)(A)(ii)” and inserting “1902(a)(10)(D)”.

(5) Effective as of the date of the enactment of Public Law 95-292, section 226(a) of the Social Security Act (42 U.S.C. 426(a)) is amended by striking “condition specified in paragraph (1)” and inserting “condition specified in paragraph (2)”.

(g) **EFFECTIVE DATE.**—(1) The amendments made by subsections (a), (b), and (d) shall be effective as if included in the enactment of the Medicare Catastrophic Coverage Act of 1988.

(2) The amendments made by subsection (c) and subsection (f) (other than paragraph (5)) shall take effect on the date of the enactment of this Act.

(h) **QUALITY CONTROL TRANSITION.**—There shall not be taken in account, for purposes of section 1903(u) of the Social Security Act, payments and expenditures for medical assistance which are made on or after January 1, 1989, and before July 1, 1989, and which are attributable to medicare-cost sharing for qualified medicare beneficiaries (as defined in section 1905(p) of such Act).

SEC. 609. EXTENSION OF QUALITY CONTROL PENALTY MORATORIUM.

(a) **MORATORIUM EXTENDED.**—Section 403 of the Social Security Act (as amended by section 201(c)(2) of this Act) is further amended by adding at the end the following new subsection:

“(m)(1) During the 12-month period beginning on July 1, 1988 (in this subsection referred to as the ‘moratorium period’), the Secretary shall not impose any reductions in payments to States pursu-

42 USC 1396d.

42 USC 1396b.

Effective date.

42 USC 704 note.

42 USC 1396b
note.

Effective date.
Territories, U.S.

ant to subsection (i) (or prior regulations), or pursuant to any comparable provision of law relating to the programs under this part in Puerto Rico, Guam, the Virgin Islands, American Samoa, or the Northern Mariana Islands.

“(2) During the moratorium period—

“(A) the Secretary and the States shall continue to operate the quality control systems in effect under this part, and to calculate the error rates under the provisions referred to in paragraph (1), including the process of requesting and reviewing waivers; and

“(B) the Departmental Grant Appeals Board shall, notwithstanding paragraph (1), review disallowances for fiscal year 1981 and thereafter and hear appeals with respect thereto (but collection of disallowances owed as a result of Departmental Grant Appeals Board decisions shall not occur).”

(b) **CONFORMING AMENDMENTS.**—(1) Subparagraph (A) of section 12301(c)(1) of the Consolidated Omnibus Budget Reconciliation Act of 1985 (Public Law 99-272) is amended by striking “title IV-A and” and inserting in lieu thereof “title”.

42 USC 603 note.

(2) Paragraph (2) of section 12301(c) of such Act is amended by inserting “under title XIX” before “, and shall reduce payments”.

(c) **EFFECTIVE DATE.**—The amendments made by subsections (a) and (b) shall take effect on July 1, 1988.

TITLE VII—FUNDING PROVISIONS

SEC. 701. TEMPORARY EXTENSION OF PROVISIONS RELATING TO COLLECTION OF NONTAX DEBTS OWED TO FEDERAL AGENCIES.

(a) **GENERAL RULE.**—Subsection (c) of section 2653 of the Deficit Reduction Act of 1984 is amended by striking “before July 1, 1988” and inserting “on or before January 10, 1994”.

26 USC 6402 note.

(b) **COORDINATION OF DISCLOSURE PROVISIONS.**—

(1) **IN GENERAL.**—Paragraph (10) of section 6103(l) of the Internal Revenue Code of 1986 (relating to disclosure of certain information to agencies requesting a reduction under section 6402(c) or 6402(d)) is amended to read as follows:

“(10) **DISCLOSURE OF CERTAIN INFORMATION TO AGENCIES REQUESTING A REDUCTION UNDER SECTION 6402(C) OR 6402(D).**—

“(A) **RETURN INFORMATION FROM INTERNAL REVENUE SERVICE.**—The Secretary may, upon receiving a written request, disclose to officers and employees of any agency seeking a reduction under subsection (c) or (d) of section 6402—

“(i) taxpayer identity information with respect to the taxpayer against whom such a reduction was made or not made and with respect to any other person filing a joint return with such taxpayer,

“(ii) the fact that a reduction has been made or has not been made under such subsection with respect to such taxpayer,

“(iii) the amount of such reduction,

“(iv) whether such taxpayer filed a joint return, and

“(v) the fact that a payment was made (and the amount of the payment) to the spouse of the taxpayer on the basis of a joint return.

“(B) **RESTRICTION ON USE OF DISCLOSED INFORMATION.**—Any officers and employees of an agency receiving return information under subparagraph (A) shall use such information only for the purposes of, and to the extent necessary in, establishing appropriate agency records, locating any person with respect to whom a reduction under subsection (c) or (d) of section 6402 is sought for purposes of collecting the debt with respect to which the reduction is sought, or in the defense of any litigation or administrative procedure ensuing from a reduction made under subsection (c) or (d) of section 6402.”

(2) **CONFORMING AMENDMENTS.**—

(A) Subsection (l) of section 6103 of such Code is amended by striking paragraph (11) and by redesignating paragraph (12) as paragraph (11).

(B) Paragraphs (3)(A) and (4) of section 6103(p) of such Code are each amended by striking “(10), (11), or (12)” each place it appears and inserting “(10), or (11)”.

(C) Paragraph (2) of section 7213(a) of such Code is amended by striking “(9), (10), or (11)” and inserting “(9), or (10)”.

(3) **EFFECTIVE DATES.**—

(A) **IN GENERAL.**—The amendments made by this subsection shall take effect on the date of the enactment of this Act.

(B) **SPECIAL RULE.**—Nothing in section 2653(c) of the Deficit Reduction Act of 1984 shall be construed to limit the application of paragraph (10) of section 6103(l) of the Internal Revenue Code of 1986 (as amended by this subsection).

SEC. 702. LIMITATION ON USE OF REIMBURSEMENT ARRANGEMENTS TO AVOID 2-PERCENT FLOOR.

(a) **GENERAL RULE.**—Section 62 of the Internal Revenue Code of 1986 (defining adjusted gross income) is amended by adding at the end thereof the following new subsection:

“(c) **CERTAIN ARRANGEMENTS NOT TREATED AS REIMBURSEMENT ARRANGEMENTS.**—For purposes of subsection (a)(2)(A), an arrangement shall in no event be treated as a reimbursement or other expense allowance arrangement if—

“(1) such arrangement does not require the employee to substantiate the expenses covered by the arrangement to the person providing the reimbursement, or

“(2) such arrangement provides the employee the right to retain any amount in excess of the substantiated expenses covered under the arrangement.

The substantiation requirements of the preceding sentence shall not apply to any expense to the extent that substantiation is not required under section 274(d) for such expense by reason of the regulations prescribed under the 2nd sentence thereof.”

(b) **EFFECTIVE DATE.**—The amendment made by subsection (a) shall apply to taxable years beginning after December 31, 1988.

SEC. 703. MODIFICATIONS TO DEPENDENT CARE CREDIT AND EXCLUSION FOR DEPENDENT CARE ASSISTANCE.

(a) **REDUCTION IN MAXIMUM AGE OF NONHANDICAPPED QUALIFYING INDIVIDUAL.**—Subsections (b)(1)(A) and (e)(5)(B) of section 21 of the

26 USC 6103
note.

26 USC 62 note.

Internal Revenue Code of 1986 are each amended by striking "age of 15" and inserting "age of 13".

(b) **LIMITATION ON CREDIT REDUCED BY AMOUNT OF EXCLUSION.**—Subsection (c) of section 21 of such Code is amended by adding at the end thereof the following new sentence:

"The amount determined under paragraph (1) or (2) (whichever is applicable) shall be reduced by the aggregate amount excludable from gross income under section 129 for the taxable year."

(c) **REQUIREMENT OF FURNISHING IDENTIFYING INFORMATION WITH RESPECT TO SERVICE PROVIDER.**—

(1) **CREDIT.**—Subsection (e) of section 21 of such Code is amended by adding at the end thereof the following new paragraph:

"(9) **IDENTIFYING INFORMATION REQUIRED WITH RESPECT TO SERVICE PROVIDER.**—No credit shall be allowed under subsection (a) for any amount paid to any person unless—

"(A) the name, address, and taxpayer identification number of such person are included on the return claiming the credit, or

"(B) if such person is an organization described in section 501(c)(3) and exempt from tax under section 501(a), the name and address of such person are included on the return claiming the credit.

In the case of a failure to provide the information required under the preceding sentence, the preceding sentence shall not apply if it is shown that the taxpayer exercised due diligence in attempting to provide the information so required."

(2) **EXCLUSION.**—Subsection (e) of section 129 of such Code is amended by adding at the end thereof the following new paragraph:

"(9) **IDENTIFYING INFORMATION REQUIRED WITH RESPECT TO SERVICE PROVIDER.**—No amount paid or incurred by an employer for dependent care assistance provided to an employee shall be excluded from the gross income of such employee unless—

"(A) the name, address, and taxpayer identification number of the person performing the services are included on the return to which the exclusion relates, or

"(B) if such person is an organization described in section 501(c)(3) and exempt from tax under section 501(a), the name and address of such person are included on the return to which the exclusion relates.

In the case of a failure to provide the information required under the preceding sentence, the preceding sentence shall not apply if it is shown that the taxpayer exercised due diligence in attempting to provide the information so required."

(3) **CONFORMING AMENDMENT.**—Paragraph (2) of section 6109(a) of such Code is amended by striking "shall furnish" and inserting "or whose identifying number is required to be shown on a return of another person shall furnish".

(d) **EFFECTIVE DATE.**—The amendments made by this section shall apply to taxable years beginning after December 31, 1988.

26 USC 21 note.

SEC. 704. TAXPAYER IDENTIFICATION NUMBER REQUIRED FOR DEPENDENTS WHO HAVE ATTAINED AGE 2.

(a) **GENERAL RULE.**—Paragraph (2) of section 6109(e) of the Internal Revenue Code of 1986 (relating to furnishing number for

certain dependents) is amended by striking "age of 5" and inserting "age of 2".

26 USC 6109
note.

(b) **EFFECTIVE DATE.**—The amendment made by subsection (a) shall apply to returns the due date for which (determined without regard to extensions) is after December 31, 1989.

Approved October 13, 1988.

LEGISLATIVE HISTORY—H.R. 1720 (S. 1511):

HOUSE REPORTS: No. 100-159, Pt. 1 (Comm. on Ways and Means), Pt. 2 (Comm. on Education and Labor), and Pt. 3 (Comm. on Energy and Commerce) and No. 100-998 (Comm. of Conference).

SENATE REPORTS: No. 100-377 accompanying S. 1511 (Comm. on Finance).

CONGRESSIONAL RECORD:

Vol. 133 (1987): Dec. 15, 16, considered and passed House.

Vol. 134 (1988): June 13, 14, 16, S. 1511 considered in Senate; proceedings vacated and H.R. 1720, amended, passed in lieu.

Sept. 29, Senate agreed to conference report.

Sept. 30, House agreed to conference report.

WEEKLY COMPILATION OF PRESIDENTIAL DOCUMENTS, Vol. 24 (1988):

Oct. 13, Presidential remarks.

FAMILY WELFARE REFORM ACT OF 1987

JUNE 17, 1987.—Ordered to be printed

Mr. ROSTENKOWSKI, from the Committee on Ways and Means,
submitted the following

REPORT

together with

ADDITIONAL AND DISSENTING VIEWS

[To accompany H.R. 1720 which on March 19, 1987, was referred jointly to the Committee on Ways and Means, the Committee on Education and Labor for consideration of such provisions of title I of the bill as fall within the jurisdiction of that committee under clause 1(g), rule X, and the Committee on Energy and Commerce for consideration of such provisions of title IV of the bill as fall within the jurisdiction of that committee under clause 1(h), rule X]

[Including cost estimate of the Congressional Budget Office]

The Committee on Ways and Means, to whom was referred the bill (H.R. 1720) to replace the existing AFDC program with a new Family Support Program which emphasizes work, child support, and need-based family support supplements, to amend title IV of the Social Security Act to encourage and assist needy children and parents under the new program to obtain the education, training, and employment needed to avoid long-term welfare dependence, and to make other necessary improvements to assure that the new program will be more effective in achieving its objectives, having considered the same, reports favorably thereon with an amendment and recommends that the bill as amended do pass.

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The amendment is as follows:

Strike out all after the enacting clause and insert in lieu thereof the following:

SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

(a) **SHORT TITLE.**—This Act may be cited as the “Family Welfare Reform Act of 1987”.

(b) **TABLE OF CONTENTS.**—

Sec. 1. Short title; table of contents.

Sec. 2. AFDC replaced by family support program.

TITLE I—NATIONAL EDUCATION, TRAINING, AND WORK (NETWORK) PROGRAM

Sec. 101. Establishment of network program.

Sec. 102. Related substantive amendments.

Sec. 103. Technical and conforming amendments.

Sec. 104. Effective date.

TITLE II—DAY CARE, TRANSPORTATION, AND OTHER WORK-RELATED EXPENSES

Sec. 201. Payment of expenses by States.

Sec. 202. Development of new child care resources.

Sec. 203. Effective date.

TITLE III—REAL WORK INCENTIVES

Sec. 301. Changes in earned income disregards.

Sec. 302. Effective date.

TITLE IV—TRANSITIONAL SERVICES FOR FAMILIES

Sec. 401. Medicaid eligibility.

Sec. 402. Effective date.

TITLE V—CHILD SUPPORT ENFORCEMENT AMENDMENTS

Sec. 501. State guidelines for child support award amounts.

Sec. 502. Establishment of paternity.

Sec. 503. Demonstration projects to address visitation and custody problems.

- Sec. 504. Disregarding of child support payments for FSP purposes.
- Sec. 505. Requirement of prompt State response to requests for child support assistance.
- Sec. 506. Automated tracking and monitoring systems.
- Sec. 507. Costs of interstate enforcement demonstrations excluded in computing incentive payments.
- Sec. 508. Federal matching reduced for States which are not in compliance with 1984 amendments, and increased for States which require immediate income withholding upon issuance of court order.
- Sec. 509. Commission on interstate enforcement.
- Sec. 510. Study of child-raising costs.
- Sec. 511. Demonstration projects to test voluntary work, education, and training for fathers who are unable to pay child support.
- Sec. 512. Collection and reporting of child support enforcement data.
- Sec. 513. Assistance in locating absent parents.
- Sec. 514. Effective date.

TITLE VI—PRO-FAMILY WELFARE POLICIES

- Sec. 601. Requirement that aid be provided with respect to dependent children in two-parent families.
- Sec. 602. Special provisions for families headed by minor parents.

TITLE VII—BENEFIT IMPROVEMENTS

- Sec. 701. Periodic re-evaluations of need and payment standards.
- Sec. 702. Encouragement of States to increase FSP benefit levels.
- Sec. 703. Study of new national approaches to welfare benefits for low-income families with children.

TITLE VIII—MISCELLANEOUS PROVISIONS

- Sec. 801. Coordination of family support and food stamp policies.
- Sec. 802. Uniform reporting requirements.
- Sec. 803. State reports on expenditure and use of social service funds.
- Sec. 804. Evaluation of education, training, and work programs and related programs.
- Sec. 805. Demonstration program of grants to provide permanent housing for families that would otherwise require emergency assistance.
- Sec. 806. Child support demonstration project in New York State.
- Sec. 807. Demonstration of family independence program in Washington State.
- Sec. 808. Study of housing problems of FSP families.
- Sec. 809. Requirement of continued treatment for drug addiction or alcoholism as condition of eligibility.
- Sec. 810. Inclusion of American Samoa in FSP program.
- Sec. 811. Increase in limitation on payments to Puerto Rico, the Virgin Islands, and Guam.
- Sec. 812. Technical and conforming amendments relating to replacement of AFDC program by family support program.

SEC. 2. AFDC REPLACED BY FAMILY SUPPORT PROGRAM.

The program under part A of title IV of the Social Security Act, heretofore known as the program of aid to families with dependent children, shall hereafter be known as the Family Support Program. The aid payable to needy families with dependent children in accordance with State plans approved under section 402 of such Act shall hereafter be called family support supplements, or aid in the form of family support supplements, as more specifically provided in the amendments made by this Act; and all references to "aid" under such plans shall hereafter (to the extent that they relate to periods on or after the date of the enactment of this Act) be deemed to be references to such aid in the form of family support supplements.

TITLE I—NATIONAL EDUCATION, TRAINING, AND WORK (NETWORK) PROGRAM

SEC. 101. ESTABLISHMENT OF NETWORK PROGRAM.

(a) **STATE PLAN REQUIREMENT.**—Section 402(a)(19) of the Social Security Act is amended to read as follows:

"(19) provide that the State has in effect and operation an education, training, and work program approved by the Secretary as meeting all of the requirements of section 416;"

(b) **ESTABLISHMENT AND OPERATION OF STATE PROGRAMS.**—Part A of title IV of such Act is amended by adding at the end thereof the following new section:

"NATIONAL EDUCATION, TRAINING, AND WORK PROGRAM

"SEC. 416. (a) **PURPOSE.**—It is the purpose of this section to assure that needy children and parents obtain the education, training, and employment which will help them avoid long-term welfare dependence.

"(b) **ESTABLISHMENT AND OPERATION OF PROGRAMS.**—(1) As a condition of its participation in the Family Support Program under this part, each State shall establish and operate an education, training, and work program which has been approved by the Secretary as meeting all of the requirements of this section, and shall make the program available in each political subdivision of the State where it is feasible to do so after taking into account the number of prospective participants, the local economy, and other relevant factors. The Secretary's approval shall be based on a plan setting forth and describing the program and estimating the number of persons to

be served, which shall be submitted by the State on or before the effective date of this section and which, if the State has determined that the program is not to be available in all of its political subdivisions, shall include appropriate justification for that determination.

"(2) Each State education, training, and work program under this section shall include private sector and local government involvement in planning and program design to assure that participants are trained for jobs that will actually be available in the community.

"(3) The State agency which administers or supervises the administration of the State's plan approved under section 402 shall be responsible for the operation and administration of the State's education, training, and work program under this section.

"(4) Federal funds made available to a State for purposes of the program under this section shall be used to augment and expand existing services and activities which promote the purpose of this section, and shall not in whole or in part replace or supplant any State or local funds already being expended for that purpose.

"(c) PARTICIPATION.—(1) Each adult recipient of family support supplements in the State who is not exempt under paragraph (4) shall be required to participate in the program under this section to the extent that the program is available in the political subdivision where he or she resides and State resources otherwise permit. The State agency shall take such action as may be necessary to ensure that each recipient of such supplements (including each such recipient who is exempt under paragraph (4)) is notified and fully informed concerning the education, training, and work opportunities offered under the program.

"(2) The State may require participation in the program under this section by recipients who are not exempt under paragraph (4) (hereinafter referred to as 'mandatory participants'), and shall also extend the opportunity to participate in the program to recipients who are exempt under paragraph (4) (hereinafter referred to as 'volunteers'). The State shall actively encourage volunteers to participate in the program, and shall from time to time furnish to the Secretary appropriate assurances that it is doing so.

"(3) With the objective of making the most effective possible use of the State's resources and identifying the families which most urgently need the services and activities provided under the program under this section, the program shall establish (and the plan submitted under subsection (b)(1) shall designate) specific target populations including—

"(A) families with a teenage parent, and families with a parent who was under 18 years of age when the first child was born;

"(B) families that have been receiving aid to families with dependent children or family support supplements continuously for two or more years; and

"(C) families with one or more children under 6 years of age.

For purposes of subparagraph (B), a family that has received aid to families with dependent children or family support supplements for at least 20 months out of any period of 24 consecutive months shall be treated as having received such aid or supplements continuously during that period.

"(4) The following are exempt from participation in the program under this section:

"(A) an individual who is ill, incapacitated, or 60 years of age or over;

"(B) an individual who is needed in the home because of the illness or incapacity of another family member;

"(C) the parent or other caretaker relative of a child under 3 years of age (subject to the last sentence of this paragraph); except that—

"(i) the State may not require participation in the program by a parent or other caretaker relative of a child who has attained 3 years of age but not 6 years of age unless day care is guaranteed to such relative and his or her participation is on a part-time basis,

"(ii) the State shall permit and encourage participation in the program (and waive the exemption provided by this subparagraph) in the case of parents and other caretaker relatives of children who have not attained 3 years of age, where day care is guaranteed to the relative involved and his or her participation is on a part-time basis, and

"(iii) the Secretary may permit the State at its option to require participation in the program (and waive the exemption provided by this subparagraph) in the case of parents and other caretaker relatives whose youngest child has attained 1 year of age but not 3 years of age if (I) the State demonstrates to the satisfaction of the Secretary that appropriate infant care for each such child who has not attained 3 years of age can be guaranteed

within the applicable dollar limitations set forth in section 402(g)(1), and (II) such relative's participation will be on a part-time basis;

"(D) an individual who is working 20 or more hours a week;

"(E) a child who is under the age of 16 or attending, full time, an elementary, secondary, or vocational (or technical) school, except in the case of a minor parent with respect to whom the State has exercised its option under section 417(c);

"(F) a woman who is pregnant; and

"(G) an individual who resides in an area of the State where the program is not available.

In the case of a two-parent family to which section 407 applies, the exemption under subparagraph (C) shall apply only to one parent or other caretaker relative; but the State may at its option make such exemption inapplicable in any such case to both of the parents or relatives involved (and require their participation in the program, at least one of them on a full-time basis) if appropriate child care is guaranteed in accordance with the applicable provisions of such subparagraph.

"(5) If the caretaker relative or any dependent child in the family is already attending (in good standing) a school or a course of vocational or technical training designed to lead to employment at the time he or she would otherwise commence participation (as a mandatory participant or volunteer) in the program under this section, such attendance shall constitute satisfactory participation in the educational or training component of the program (by that caretaker or child) so long as it continues; and the family support plan (entered into under subsection (f)) shall so indicate. The costs of such school or training shall not constitute federally reimbursable expenses for purposes of section 403 (but this sentence shall not prevent the State from providing or making reimbursement for the cost of day care which is necessary for such attendance in accordance with section 402(g)(1)).

"(d) PRIORITIES.—(1) To the extent that the State's resources do not permit the inclusion in the program of all mandatory participants and volunteers, the selection of the families to whom services are to be provided under the program under this section shall be made (subject to subsection (l)(3) and paragraphs (2) and (3) of this subsection) in accordance with the following priorities:

"(A) First priority shall be given to volunteers who are described in subparagraphs (A), (B), and (C) of subsection (c)(3).

"(B) Second priority shall be given to mandatory participants who are described in subparagraphs (A), (B), and (C) of subsection (c)(3).

"(C) Third priority shall be given to mandatory participants (not described in subparagraph (B)) in families with older children.

"(D) Fourth priority shall be given to volunteers not described in subparagraph (A).

"(E) Fifth priority shall be given to all other mandatory participants.

For purposes of subparagraph (C), a family 'with older children' is a family in which the youngest child is within two years of being ineligible for family support supplements because of his or her age.

"(2) Among the mandatory participants described in subparagraph (B), (C), or (E) of paragraph (1), first consideration shall be given to those who actively seek to participate in the program.

"(3) In the case of a State which provides satisfactory assurances that it will make available the resources to serve all mandatory participants and volunteers within a 3-year period after the effective date of this section, paragraph (1) shall not apply until the expiration of such 3-year period.

"(e) ORIENTATION.—The State agency shall provide each applicant for family support supplements with orientation to the program under this section, including full information about the opportunities offered by the program and the obligations of participants in the program (and including descriptions of day care services and available health coverage transition options). Such orientation shall also be available at any time to recipients of family support supplements who did not receive orientation under this subsection at the time of their initial application for such supplements or who need additional information about the program.

"(f) ASSESSMENT AND FAMILY SUPPORT PLAN.—The State agency shall make an initial assessment of the educational needs, skills, and employability of each participant in the program under this section, including a review of the family circumstances and of the needs of the children as well as those of the adult caretaker; and on the basis of such assessment the State agency and the participating members of the family (or the adult caretaker with respect to any such participant who is a minor) shall negotiate a family support plan for the family. The family support plan shall set forth and describe all of the activities in which participants in the family

will take part under the program, and shall, to the maximum extent possible and consistent with this section, reflect the respective preferences of such participants.

“(g) AGENCY-CLIENT AGREEMENT AND CASE MANAGEMENT.—(1) Following the initial assessment and the development of the family support plan with respect to any family under this section, the State agency and the participating members of the family (or the caretaker relative in the family with respect to participants who are minors) shall negotiate and enter into an agency-client agreement including a commitment by the participants (or caretaker) to participate in the program in accordance with the family support plan, specifying in detail the activities in which the participants will take part and the conditions and duration of such participation, and detailing all of the activities which the State will conduct and the services which the State will provide in the course of such participation. The participants (or caretaker) shall be given such assistance as may be required in reviewing and understanding the family support plan and the agency-client agreement.

“(2)(A) Each participant shall be guaranteed an opportunity for a fair hearing before the State agency in the event of a dispute involving the contents of the family support plan, the contents or signing of the agency-client agreement, the nature or extent of his or her participation in the program as specified therein, or any other aspect of such participation which is provided for under this section (including a dispute involving the imposition of sanctions under subsection (l) and the participant's right to conciliation before any such sanction is imposed); and the agency-client agreement shall so provide.

“(B) In no case shall any agency-client agreement entered into pursuant to this subsection give rise to a cause of action against the Federal Government or any officer or agency thereof if any party to such agreement fails to observe its terms.

“(3) The State agency shall assign to each participating family a member of the agency staff to provide case management services to the family; and the case manager so assigned shall be responsible for (A) obtaining or brokering, on behalf of the family, any other services which may be needed to assure the family's effective participation, (B) monitoring the progress of the participant, and (C) periodically reviewing and renegotiating the family support plan and the agency-client agreement as appropriate. Amounts expended in providing case management services under this paragraph shall be considered, for purposes of section 403(a)(3)(C), to be expenditures for the proper and efficient administration of the State plan.

“(h) RANGE OF SERVICES AND ACTIVITIES.—(1) In carrying out the program under this section, each State must make available a broad range of services and activities calculated to aid in carrying out the purpose of this section, specifically including (subject to the next to last sentence of this paragraph and to paragraph (2))—

“(A) high school or equivalent education (combined with training when appropriate) designed specifically for participants who do not have a high school diploma, except in the case of a participant who demonstrates a basic literacy level and whose family support plan identifies a long-term employment goal that does not require a high school diploma;

“(B) remedial education to achieve a basic literacy level, instruction in English as a second language, and specialized advanced education in appropriate cases;

“(C) group and individual job search as described in subsection (k);

“(D) on-the-job training;

“(E) skills training;

“(F) work supplementation programs as provided in subsection (i);

“(G) community work experience programs as provided in subsection (j);

“(H) job readiness activities to help prepare participants for work;

“(I) counseling, information, and referral for participants experiencing personal and family problems which may be affecting their ability to work;

“(J) job development, job placement, and follow-up services to assist participants in securing and retaining employment and advancement as needed; and

“(K) other education and training activities as determined by the State and allowed by regulations of the Secretary.

The State must in any event make available the services and activities described in subparagraphs (A), (B), (C), (E), (H), (I), and (J) along with the services and activities described in at least two of the remaining subparagraphs. The provisions of paragraphs (4) through (8) of this subsection shall apply with respect to all of the services and activities described in this subsection.

“(2) Any participant lacking a high school diploma shall be offered the opportunity to participate in a program which addresses the education needs identified in the participant's initial assessment, including high school or equivalent education designed specifically for participants who do not have a high school diploma, remedial-

education to achieve a basic literacy level, or instruction in English as a Second Language; and both the family support plan and the agency-client agreement shall so provide. Any other services or activities to which such a participant is assigned under the agreement may not be permitted to interfere with his or her participation in an appropriate education program under this paragraph.

"(3) Children in participating families who are not themselves participants in the program under this section shall be encouraged to take part in any of the education or training programs available under the program; and the State must also provide to such children additional services specifically designed to help them stay in school (including financial incentives as appropriate), complete their high school education, and obtain marketable job skills (including services provided under a demonstration program conducted pursuant to section 1115(b)(1)). Training activities in which such children participate may not, however, be permitted to interfere with their school attendance.

"(4)(A) Each assignment of a participant under the program shall be consistent with the physical capacity, skills, experience, health, family responsibilities, and place of residence of such participant.

"(B) Before assigning a participant to any activity under the program, the State shall assure that—

"(i) appropriate standards for health, safety, and other conditions are applicable to participation in such activity;

"(ii) the conditions of participation in such activity are reasonable, taking into account the geographic region, the residence of the participant, and the proficiency of the participant; and

"(iii) the participant will not be required, without his or her consent, to travel an unreasonable distance from his or her home or remain away from such home overnight.

"(5) No assignment under the program shall result in—

"(A) the displacement of any currently employed worker or position (including partial displacement such as a reduction in the hours of nonovertime work, wages, or employment benefits), or result in the impairment of existing contracts for services or collective bargaining agreements;

"(B) the employment or assignment of a participant or the filling of a position when (i) any other individual is on layoff from the same or any equivalent position, or (ii) the employer has terminated the employment of any regular employee or otherwise reduced its workforce with the intention of filling the vacancy so created with a participant subsidized under this section; or

"(C) any infringement of the promotional opportunities of any currently employed individual.

"(6) The wage rate for any position to which a participant is assigned shall be at least equal to the current pay scale for that position, or, if there is no current pay scale for that position, shall be at least equal to the greater of the applicable Federal or State minimum wage; and appropriate worker's compensation and tort claims protection shall be provided to all participants on the same basis as such compensation and protection are provided to other employed individuals in the State.

"(7)(A) Each State agency shall establish and maintain a grievance procedure for dealing with complaints about its programs and activities under this section from participants, subgrantees, subcontractors, and other interested persons. Hearings on any complaint shall be conducted within 30 days after the date on which the complaint is filed and a decision shall be made no later than 60 days after such date.

"(B) The decision of the State agency may be appealed to the Secretary under the procedures established in subparagraph (C), and the complaint itself may be appealed to the Secretary under such procedures if the State agency fails to make a decision within the prescribed 60-day period.

"(C)(i) Whenever an appeal to the Secretary, alleging that paragraph (4), (5), (6), or (8) has been violated, is made under subparagraph (B), a copy of the complaint shall be transmitted at the same time to the entity alleged to have committed the violation. An opportunity shall be afforded to such entity to review the complaint and to submit a reply to the Secretary within 15 days after receiving the copy of such complaint.

"(ii) An official who shall be designated by the Secretary shall review any complaint submitted in accordance with clause (i), and conduct such investigation as may be necessary, to ascertain the accuracy of the information set forth or alleged and to determine whether there is substantial evidence that the affected activities fail to comply with paragraph (4), (5), (6), or (8). Such official shall report his findings and recommendations to the Secretary within 60 days after commencing the review and investigation.

"(iii) The Secretary, within 45 days after receiving the report under clause (ii) shall issue a final determination as to whether a violation of paragraph (4), (5), (6), or (8) has occurred.

"(iv) The Secretary shall institute proceedings to compel the repayment of any funds determined to have been expended in violation of paragraph (4), (5), (6), or (8).

"(D) The existence of the remedies provided by this section shall not preclude any person who alleges that an action of a State agency violates any of the provisions of this section from instituting a civil action or pursuing any other remedy authorized under Federal, State, or local law.

"(8) The State may not require a participant in the program to accept a position under the program (as work supplementation or otherwise) if accepting the position would result in a net loss of income (including the insurance value of any health benefits) to the participant or his or her family.

"(9) Program activities under this section shall be coordinated in each State with programs operated under the Job Training Partnership Act and with any other relevant employment, training, and education programs available in that State. Appropriate components of the State's plan developed under subsection (b)(1) which relate to job training and workplace preparation shall be consistent with the coordination criteria specified in the Governor's coordination and special services plan required under section 121 of the Job Training Partnership Act. The State plan so developed shall be submitted to the State job training coordinating council not less than 90 days prior to its submission to the Secretary, for the purpose of review and comment by the council on those provisions of the plan related to delivery of job training services and of coordinating activities under this section with similar activities under the Job Training Partnership Act.

"(10) Program activities under this section shall be coordinated in each State with existing early childhood education programs in that State.

"(11) In carrying out the program under this section, the State may enter into appropriate contracts and other arrangements with public and private agencies and organizations for the provision or conduct of any services or activities made available under the program.

"(i) **WORK SUPPLEMENTATION PROGRAMS.**—(1) Any State may institute a work supplementation program under which such State, to the extent it considers appropriate, may reserve the sums which would otherwise be payable to participants in the program under this section as family support supplements under the State plan approved under this part and use such sums instead for the purpose of providing and subsidizing jobs for such participants (as described in paragraph (3)(C)(i) and (ii)), as an alternative to the supplements which would otherwise be so payable to them under such plan.

"(2)(A) Notwithstanding any other provision of law, Federal funds may be paid to a State under this part, subject to the provisions of this section, with respect to expenditures incurred in operating a work supplementation program under this subsection.

"(B) Nothing in this part, or in any State plan approved under this part, shall be construed to prevent a State from operating (on such terms and conditions and in such cases as the State may find to be necessary or appropriate) a work supplementation program in accordance with this subsection.

"(C) Notwithstanding any other provision of law, a State may adjust the levels of the standards of need under the State plan to the extent the State determines such adjustments to be necessary and appropriate for carrying out a work supplementation program under this subsection.

"(D) Notwithstanding any other provision of law, a State operating a work supplementation program under this subsection may provide that the need standards in effect in those areas of the State in which such program is in operation may be different from the need standards in effect in the areas in which such program is not in operation, and such State may provide that the need standards for categories of recipients of family support supplements may vary among such categories to the extent the State determines to be appropriate on the basis of ability to participate in the work supplementation program.

"(E) Notwithstanding any other provision of law, a State may make further adjustments in the amounts of the family support supplements paid under the plan to different categories of recipients (as determined under subparagraph (D)) in order to offset increases in benefits from needs-related programs (other than the State plan approved under this part), to the extent the State determines such adjustments to be necessary and appropriate to further the purposes of the work supplementation program.

"(F) In determining the amounts to be reserved and used for providing and subsidizing jobs under this subsection as described in paragraph (1), the State may use a sampling methodology.

"(G) Notwithstanding section 402(a)(8) or any other provision of law, a State operating a work supplementation program under this subsection may reduce or eliminate the amount of earned income to be disregarded under the State plan to the extent the State determines such a reduction or elimination to be necessary and appropriate to further the purposes of the work supplementation program.

"(3)(A) A work supplementation program operated by a State under this subsection shall provide that any individual who is an eligible individual (as determined under subparagraph (B)) shall take a supplemented job (as defined in subparagraph (C)) to the extent that supplemented jobs are available under the program. Payments by the State to individuals or employers under the program shall be treated as expenditures incurred by the State for family support supplements under the State plan for purposes of section 403(a) (1) and (2), except as limited by paragraph (4).

"(B) For purposes of this subsection, an eligible individual is an individual (not exempt under subsection (c)(4)) who is in a category which the State determines should be eligible to participate in the work supplementation program, and who would, at the time of his or her placement in the job involved, be eligible for family support supplements under the State plan if such State did not have a work supplementation program in effect.

"(C) For purposes of this subsection, a supplemented job is—

"(i) a job provided to an eligible individual by the State or local agency administering the State plan under this part; or

"(ii) a job provided to an eligible individual by any other employer for which all or part of the wages are paid by such State or local agency.

A State may provide or subsidize any job under the program under this section which such State determines to be appropriate.

"(D) At the option of the State, individuals who hold supplemented jobs under a State's work supplementation program shall be exempt from the retrospective budgeting requirements imposed pursuant to section 402(a)(13)(A)(ii) (and the amount of the aid which is payable to the family of such individual for any month, or which would be so payable but for the family's participation in the work supplementation program, shall be determined on the basis of the income and other relevant circumstances in that month).

"(E) Paragraphs (4) through (8) of subsection (h) shall apply with respect to assignments of eligible individuals to supplemented jobs under this subsection.

"(4) The amount of the Federal payment to a State under section 403(a) for expenditures incurred in making payments to individuals and employers under a work supplementation program under this subsection shall not exceed an amount equal to the amount which would otherwise be payable under paragraph (1) or (2) of such section if the family of each individual employed in the program had received the maximum amount of family support supplements payable under the State plan to such a family with no income (without regard to adjustments under paragraph (2) of this subsection) for a period of months equal to the lesser of (A) nine months, or (B) the number of months in which such individual was employed in such program. Expenditures so incurred shall be considered to have been made for family support supplements under the State plan for purposes of section 403(a) (1) and (2).

"(5)(A) Nothing in this subsection shall be construed as requiring the State or local agency administering the State plan to provide employee status to an eligible individual to whom it provides a job under the work supplementation program (or with respect to whom it provides all or part of the wages paid to the individual by another entity under such program), or as requiring any State or local agency to provide that an eligible individual filling a job position provided by another entity under such program be provided employee status by such entity, during the first 13 weeks such individual fills that position.

"(B) Wages paid under a work supplementation program shall be considered to be earned income for purposes of any provision of law.

"(6) Any State which chooses to operate a work supplementation program under this subsection must provide that any individual who participates in such program, and any child or relative of such individual (or other individual living in the same household as such individual) who would be eligible for family support supplements under the State plan approved under this part if such State did not have a work supplementation program, shall be considered individuals receiving family support supplements under the State plan approved under this part for purposes of eligibility for medical assistance under the State plan approved under title XIX.

"(j) **COMMUNITY WORK EXPERIENCE PROGRAMS.**—(1)(A) Any State which chooses to do so may establish a community work experience program in accordance with this subsection. The purpose of the community work experience program is to provide experience and training for individuals not otherwise able to obtain employment, in order to assist them to move into regular employment. Community work experience programs shall be designed to improve the employability of participants through actual work experience and training and to enable individuals employed under community work experience programs to move promptly into regular public or private employment. Community work experience programs shall be limited to projects which serve a useful public purpose in fields such as health, social service, environmental protection, education, urban and rural development and redevelopment, welfare, recreation, public facilities, public safety, and day care. To the extent possible, the prior training, experience, and skills of a recipient shall be used in making appropriate work experience assignments. Participants in a program under this subsection may not fill established unfilled position vacancies.

"(B) A State which elects to establish a community work experience program under this subsection shall operate such program so that each participant (as determined by the State) either—

"(i) works and undergoes training for a period not exceeding 6 months, with the maximum number of hours that any such individual may be required to work and undergo training in any month being a number equal to the amount of the family support supplements payable with respect to the family of which such individual is a member under the State plan approved under this part, divided by the current hourly pay scale for the position in which the participant works, or (if there is no current pay scale for that position) by the greater of the applicable Federal or State minimum wage (and the portion of a recipient's benefit for which the State is reimbursed by a child support payment shall not be taken into account in determining the number of hours that such individual may be required to work); or

"(ii) performs unpaid work experience and training (for a combined total of not more than 30 hours a week) for a period not exceeding 3 months.

Paragraphs (4) through (7) of subsection (h) shall apply with respect to the assignment of participants to positions under this section.

"(C) Nothing contained in this subsection shall be construed as authorizing the payment of family support supplements under this part as compensation for work performed, nor shall a participant be entitled to a salary or to any other work or training expense provided under any other provision of law by reason of his participation in a program under this subsection.

"(D) Nothing in this part or in any State plan approved under this part shall be construed to prevent a State from operating (on such terms and conditions and in such cases as the State may find to be necessary or appropriate) a community work experience program in accordance with this subsection.

"(E) Participants in community work experience programs under this subsection may perform work in the public interest (which otherwise meets the requirements of this section) for a Federal office or agency with its consent, and, notwithstanding section 1342 of title 31, United States Code, or any other provision of law, such agency may accept such services, but such participants shall not be considered to be Federal employees for any purpose.

"(F) If at the conclusion of his or her participation in a community work experience program the individual has not become employed, a reassessment with respect to such individual shall be made and a new family support plan developed as provided in subsection (f). In no event shall any individual who has completed the work and training activities described in clause (i) of subparagraph (B), or the work experience and training activities described in clause (ii) of such subparagraph, be required to repeat such activities or be reassigned to perform work or undergo training under either such clause.

"(2) The State shall provide coordination between a community work experience program operated pursuant to this subsection, any program of job search under subsection (k), and the other work-related activities under the program established by this section so as to insure that job placement will have priority over participation in the community work experience program.

"(3) In the case of any State which makes expenditures in the form described in paragraph (1) under its State plan approved under section 402, expenditures for the provision of training under a program under this subsection, for purposes of section 403(a)(4) (and expenditures for the proper and efficient administration of the State plan, for purposes of section 403(a)(3)), may not include the cost of making or acquiring materials or equipment in connection with such training services or the cost of

supervision of work or training under such program, and may include only such other costs attributable to such program as are permitted by the Secretary.

"(k) **JOB SEARCH.**—(1) The State agency shall establish and carry out a program of job search for applicants and participants in the program under this section.

"(2) Participants in the program under this section shall be encouraged and may be required to take part in job search under this subsection, at such times, for such periods, and in such manner as the State agency determines (in each particular case) will be most effective in serving the special needs and interests of the individual involved and in carrying out the purpose of this section. Job search by an applicant may be required or provided for while his or her application is being processed; and job search by a participant may be required or provided for after his or her initial assessment, after his or her education or training, and at other appropriate times during his or her participation in the program under this section, as may be set forth in the agency-client agreement entered into between such individual and the State agency under subsection (g)(1) and as otherwise provided by the State agency. No requirement imposed by the State under the preceding provisions of this paragraph may be used as a reason for any delay in making a determination of an individual's eligibility for family support supplements or in issuing a payment to or on behalf of any individual who is otherwise eligible for such supplements.

"(3) Participation by an individual in job search under this subsection, without participation in one or more other services or activities offered under the program under this section, shall not be sufficient to qualify as participation in the program for any of the purposes of this section after it has continued for 8 weeks or longer without the individual obtaining a job. In any such case (after 8 weeks of job search without obtaining a job) the individual must engage in training, education, or other activities designed to improve his or her prospects for employment; and the family support plan developed under subsection (f) shall so provide.

"(l) **SANCTIONS.**—(1) If any mandatory participant in the program under this section fails without good cause to comply with any requirement imposed with respect to his or her participation in such program—

"(A) the needs of such participant (whether or not section 407 applies) shall not be taken into account in making the determination with respect to his or her family under section 402(a)(7), and

"(B) if such participant is a member of a family which is eligible for family support supplements by reason of section 407, and his or her spouse is not participating in the program, the needs of such spouse shall also not be taken into account in making such determination.

The sanction described in subparagraph (A) (and the sanction described in subparagraph (B) if applicable) shall continue until the participant's failure to comply ceases; except that such sanction shall continue for a minimum of 3 months if the failure to comply is the participant's second or a subsequent such failure.

"(2) No sanction shall be imposed under paragraph (1) until appropriate notice thereof has been provided to the participant involved, and until conciliation efforts have been made to discuss and resolve the participant's failure to comply and to determine whether or not good cause for such failure existed. In any event, when a failure to comply has continued for 3 months the State agency shall promptly remind the participant in writing of his or her option to end the sanction by terminating such failure.

"(3) If a volunteer drops out of the program under this section after having commenced participation in such program, he or she shall thereafter be given no priority under subsection (d).

"(m) **REGULATIONS.**—Within 6 months after the date of the enactment of this section, the Secretary shall issue proposed regulations for the purpose of implementing and carrying out the program under this section, including regulations establishing uniform data collection requirements; and within 9 months after such date the Secretary shall publish final regulations for that purpose. Regulations under this subsection shall be developed by the Secretary in consultation with the responsible State agencies described in subsection (b)(3).

"(n) **PERFORMANCE STANDARDS.**—(1) Within one year after the date of the enactment of this section, the Secretary, in consultation with the Congress, the Secretary of Labor, the States and localities, educators, and other interested persons, shall develop and publish performance standards for the program under this section. Such standards shall at a minimum—

"(A) provide methods for measuring the degree to which States are targeting their programs to those individuals within each priority group (as described in subsection (d)) who will have the most difficulty finding employment;

"(B) provide methods for determining whether States are providing intensive services under the program, tailored to the individual needs of participants and fully calculated to produce self-sufficiency;

"(C) provide methods for measuring the degree to which States are placing strong emphasis on participation by volunteers among the priority groups described in subsection (d);

"(D) measure the cost effectiveness of the employment portion of the program and the welfare savings that result from the program;

"(E) establish expectations for placement rates, including the minimum rate at which participants within each priority group (as described in subsection (d)) are to be placed in jobs or complete their education or both;

"(F) take into account the extent to which the program results in job retention by participants, case closures, educational improvements, and placement in jobs that provide health benefits;

"(G) give appropriate recognition to the likelihood that unemployment and other economic factors will influence the success of the employment program; and

"(H) take into account such other factors as are deemed important.

The performance standards so developed and published shall be periodically reviewed by the Secretary and modified (in consultation with the Congress) to the extent necessary to reflect the continuing implementation of the program.

"(2) The Secretary shall develop and transmit to the Congress, for appropriate legislative action, a proposal for modifying the rate of the Federal payments to States under section 403(a)(4) so as to reflect the relative effectiveness of the various States in carrying out the program under this section and achieving its purpose.

"(o) CONTINUING EVALUATION.—The Secretary shall provide for the continuing evaluation of the programs established under this section by the several States, including their effectiveness in achieving the purpose of this section and their impact on other related programs. The Secretary shall also—

"(1) provide for the conduct of research on ways to increase the effectiveness of such programs, including research on—

"(A) the effectiveness of giving priority to volunteers,

"(B) appropriate strategies for assisting two-parent families,

"(C) the wage rates of individuals placed in jobs as a result of such programs,

"(D) the approaches that are most effective in meeting the needs of specific groups and types of participants (such as teenage parents, older parents, and families including disabled persons), and

"(E) the effect of targeting on families which include children below 6 years of age; and

"(2) provide technical assistance to States, localities, schools, and employers who may participate in the programs and who request or require such assistance.

"(p) UNIFORM REPORTING REQUIREMENTS.—The Secretary shall establish uniform reporting requirements under which each State will be required periodically to furnish such information and data as the Secretary may need to ensure that the purposes and provisions of this section are being effectively carried out, including at a minimum the average monthly number of families participating in the program under this section, the types of such families, the amounts expended under the program (as family support supplements and otherwise) with respect to such families, and the length of time for which such families are assisted. The information and data so furnished shall be separately stated with respect to each of the services and activities enumerated in subsection (h) and with respect to each of the activities described in subsections (i), (j), and (k)."

SEC. 102. RELATED SUBSTANTIVE AMENDMENTS.

(a) FEDERAL MATCHING RATES.—(1) Section 403(a) of the Social Security Act is amended by inserting after paragraph (3) the following new paragraph:

"(4) in the case of any State, an amount equal to 65 percent of the total amount expended during such quarter for education and training under the program established pursuant to section 416; and".

(2) Section 403(a)(3) of such Act is amended—

(A) by striking out "and" after the comma at the end of subparagraph (B);

(B) by redesignating subparagraph (C) as subparagraph (D); and

(C) by inserting after subparagraph (B) the following new subparagraph:

"(C) one-half of so much of such expenditures as are incurred in connection with the administration of the education, training, and work program under section 416, and".

(b) **DEMONSTRATION AUTHORITY: PROJECTS TO ENCOURAGE INNOVATIVE EDUCATION AND TRAINING PROGRAMS FOR CHILDREN, TO TEST THE EFFECT OF EARLY CHILDHOOD DEVELOPMENT PROGRAMS, AND TO TEST THE ELIMINATION OF THE 100-HOUR RULE UNDER THE AFDC-UP PROGRAM.**—Section 1115 of such Act is amended—

- (1) by inserting "(1)" before "In the case of" in subsection (a);
- (2) by striking out "(1) the Secretary" and "(2) costs" in subsection (a) and inserting in lieu thereof "(A) the Secretary" and "(B) costs", respectively;
- (3) by striking out subsection (b);
- (4) by redesignating subsection (c) as paragraph (2) of subsection (a), and in such subsection as so redesignated by striking out "subsection (a)", "(1)", "(2)", and "(3)" and inserting in lieu thereof "paragraph (1)", "(A)", "(B)", and "(C)", respectively; and
- (5) by adding at the end thereof the following new subsection:

"(b)(1) In order to encourage States to develop innovative education and training programs for children receiving aid under State plans approved under section 402, any State may establish and conduct one or more demonstration projects, targeted to such children, designed to test financial incentives and interdisciplinary approaches to reducing school dropouts, encouraging skill development, and avoiding welfare dependence; and the Secretary may make grants to States to assist in financing such projects. Demonstration projects under this paragraph shall meet such conditions and requirements as the Secretary shall prescribe, and no such project shall be conducted for a period of less than one year or more than 5 years.

"(2)(A) In order to test the effect of in-home early childhood development programs and pre-school center-based development programs (emphasizing the use of volunteers and including academic credit for student volunteers) on families receiving aid under State plans approved under section 402 and participating in the education, training, and work program under section 416, up to 10 States may undertake and carry out demonstration projects utilizing such development programs to enhance the cognitive skills and linguistic ability of children under the age of 5, to improve the communications skills of such children, and to develop their ability to read, write, and speak the English language effectively. Demonstration projects under this paragraph shall meet such conditions and requirements as the Secretary shall prescribe, and no such project shall be conducted for a period of more than 3 years.

"(B) The Secretary shall consider all applications received from States desiring to conduct demonstration projects under this paragraph, shall approve up to 10 applications involving projects which appear likely to contribute significantly to the achievement of the purpose of this paragraph, and shall make grants to the States whose applications are approved to assist them in carrying out such projects.

"(C) The Secretary shall submit to the Congress with respect to each project undertaken by a State under this paragraph, after such project has been carried out for one year and again when such project is completed, a detailed evaluation of the project and of its contribution to the achievement of the purpose of this paragraph.

"(3)(A) In order to permit States to test whether (and the extent to which) eliminating the 100-hour rule under section 407, and requiring parents under that section to accept any reasonable job offers while preserving the eligibility of their families for aid under the applicable State plan approved under section 402, would effectively encourage such parents to enter the permanent work force and thereby significantly reduce program costs, up to 5 States and localities may undertake and carry out demonstration projects under which—

"(i) each parent receiving aid pursuant to section 407 is required to accept any reasonable full- or part-time job which is offered to him or her, without regard to the amount of the parent's resulting earnings as compared to the level of the family's aid under the applicable State plan, and

"(ii) the family's eligibility under the plan is preserved notwithstanding the parent's resulting earnings, so long as such earnings (after the application of section 402(a)(8)) do not exceed the applicable State standard of need, without regard to the 100-hour rule or any other durational standard that might be applied in defining unemployment for purposes of determining such eligibility.

"(B) The Secretary shall consider all applications received from States desiring to conduct demonstration projects under this paragraph, shall approve up to 5 applications involving projects which appear likely to contribute significantly to the achievement of the purpose of this paragraph, and shall make grants to the States whose applications are approved to assist them in carrying out such projects.

"(C) Each demonstration project approved under this paragraph shall provide for the payment of aid under the applicable State plan, as though section 407 had been modified to reflect the provisions of clauses (i) and (ii) of subparagraph (A) but shall otherwise be carried out in accordance with all of the requirements and conditions of section 407 (and any related requirements and conditions under part A of title IV); and each such project shall meet such other requirements and conditions as the Secretary shall prescribe.

"(4)(A) Any demonstration project undertaken pursuant to this subsection—

"(i) must be designed to improve the financial well-being of families with children or otherwise improve the operation of the program or programs involved; and

"(ii) may not permit modifications in any program which would have the effect of disadvantaging children in need.

"(B) There are authorized to be appropriated such sums as may be necessary to enable the Secretary to make grants with respect to the demonstration projects which are provided for under any of the preceding paragraphs of this subsection (and for which an authorization in specific dollar amounts is not included in the paragraph involved)."

SEC. 103. TECHNICAL AND CONFORMING AMENDMENTS.

(a) IN PART A OF TITLE IV.—(1) Section 402(a)(8)(A)(iv) of the Social Security Act is amended by striking out "(but excluding)" and all that follows and inserting in lieu thereof a semicolon.

(2) Section 402(a)(9)(A) of such Act is amended by striking out "B, C, or D" and inserting in lieu thereof "B or D".

(3) Section 402(a)(35) of such Act is repealed.

(4) Section 403(a)(3) of such Act is amended—

(A) by striking out all of subparagraph (D) (as redesignated by section 102(a)(2) of this Act) which follows "such expenditures" and inserting in lieu thereof a comma; and

(B) by striking out all that follows "section 2002(a) of this Act" in the matter following such subparagraph and inserting in lieu thereof "other than services furnished under section 416 or under section 402(g); and".

(5) Section 403(c) of such Act is repealed.

(6) Section 403(d) of such Act is repealed.

(7) Section 407(b)(2)(A) of such Act is amended by striking out "will be certified" and all that follows down through "within 30 days" and inserting in lieu thereof "will participate or apply for participation in the national education, training, and work program under section 416 within 30 days".

(8) Section 407(b)(2)(C)(i) of such Act is amended by striking out ", unless exempt" and all that follows down through "is not registered" and inserting in lieu thereof "is not currently participating in the national education, training, and work program under section 416, unless such parent is exempt under section 416(c)(4), or, if such parent is exempt under such section 416(c)(4) and has not volunteered for such participation as described in section 416(c)(2), is not registered".

(9) Section 407(c) of such Act is amended by striking out "to certify such parent" and all that follows and inserting in lieu thereof "to participate in the national education, training, and work program under section 416".

(10) Section 407(d)(1) of such Act is amended by striking out "under section 409" and all that follows and inserting in lieu thereof "under section 416(j)".

(11) Section 407(e) of such Act is repealed.

(12) Section 409 of such Act is repealed.

(13) Section 414 of such Act is repealed.

(b) IN OTHER PROVISIONS.—(1) Section 471(a)(8)(A) of such Act is amended by striking out "A, B, C, or D" and inserting in lieu thereof "A, B, or D".

(2) Section 1108(b) of such Act is amended by striking out "section 402(a)(19)" and inserting in lieu thereof "section 416".

(3) Section 1902(a)(10)(A)(i) of such Act is amended by striking out "section 414(g)" and inserting in lieu thereof "section 416(i)(6)".

SEC. 104. EFFECTIVE DATE.

The amendments made by this title shall become effective October 1, 1989; except that—

(1) if any State theretofore makes the changes in its State plan approved under section 402 of the Social Security Act which are required in order to carry out such amendments, and formally notifies the Secretary of Health and Human Services of its desire to become subject to such amendments as of the first day of any calendar quarter beginning on or after the date on which the

proposed regulations of the Secretary of Health and Human Services are published under section 416(m) of such Act and before October 1, 1989, such amendments shall become effective with respect to that State as of such first day;

(2) subsections (m), (n), (o), and (p) of section 416 of the Social Security Act (as added by section 101(b) of this Act) shall be effective on the date of the enactment of this Act; and

(3) section 1115(b)(3) of the Social Security Act (as added by section 102(b) of this Act) shall become effective October 1, 1987.

TITLE II—DAY CARE, TRANSPORTATION, AND OTHER WORK-RELATED EXPENSES

SEC. 201. PAYMENT OF EXPENSES BY STATES.

(a) IN GENERAL.—(1) Section 402 of the Social Security Act is amended by adding at the end thereof the following new subsection:

“(g)(1)(A) Each State shall, for each family, either—

“(i) provide day care for each dependent child, and incapacitated individual living in the same home as a dependent child, receiving family support supplements under the State plan and requiring such care, or

“(ii) reimburse the caretaker relative in the family (in advance whenever possible) for the costs of such care incurred in any month,

if and to the extent that such care (or reimbursement for the costs thereof) is determined by the State agency to be (I) directly related to an individual's participation in work, education, or training (including participation as a mandatory participant or volunteer in the program under section 416, and including participation in other work, education, or training by individuals who are not participating in such program by reason of exemptions granted under any of the subparagraphs in section 416(c)(4)), (II) reasonably necessary for such participation, and (III) cost-effective. Amounts expended under the preceding provisions of this subsection (in providing day care directly, or in making reimbursement for the costs of such care), to the extent that such amounts do not exceed \$175 per month for any child age 2 or over or \$200 per month for any infant under age 2, shall be considered, for purposes of section 403(a)(1) and (2), to be amounts expended as aid in the form of family support supplements under the State plan (and Federal contributions may be made under section 403(a) with respect to amounts so expended only to that extent).

“(B) No amount shall be expended under subparagraph (A) for any child care services involving more than 2 children at the same time unless such services meet applicable standards of State and local law, and in any event unless such services meet standards, established by the State, which at a minimum ensure basic health and safety protections.

“(C) Reimbursement for the costs of day care under subparagraph (A)(ii) may be accomplished through contracts or certificates, or through the disregarding of such costs from the earned income of the family (within the applicable dollar limitations set forth in subparagraph (A)) as though such disregarding were specifically provided for in section 402(a)(8) immediately after the disregards provided for in clauses (ii) and (iii) thereof (and were applied to both applicants and recipients but only with respect to earned income not otherwise disregarded under the preceding provisions of that section). No change made by a State in its method of reimbursing day care costs may have the effect of disadvantaging individuals or families receiving aid under the State plan on the date of the enactment of this subsection, by reducing their income or otherwise.

“(D) For purposes of the first sentence of subparagraph (A), day care shall be considered ‘cost-effective’ only if it is furnished within the applicable dollar limitations set forth in the second sentence of such subparagraph; but nothing in this subsection shall be construed as preventing any State from making reimbursement from its own funds (without any Federal contribution under section 403(a)) for day care which is not furnished within such limitations.

“(2)(A) In the case of an individual participating in the program of education, training, and work under section 416 (including participation in the form of job search under subsection (k) thereof), the State (in addition to providing day care or reimbursing the costs thereof as provided in paragraph (1)) shall reimburse the participant (in advance whenever possible) for transportation and other work-related costs incurred in any month, in an amount (subject to subparagraph (B)) not exceeding the dollar amount then in effect (for purposes of disregarding earned income) under section 402(a)(8)(A)(ii).

"(B) In the case of a participant who must travel 100 miles or more to reach his or her education or training site under the program, the reimbursement for transportation and other work-related costs under subparagraph (A) may be in an amount up to twice the dollar amount referred to in that subparagraph.

"(3) The Federal contribution with respect to day care, transportation, and other work-related costs incurred by a State under this subsection shall be determined under section 403(a)(1) or (2) as though such costs had been incurred in paying aid in the form of family support supplements, rather than under section 403(a)(3) or (4).

"(4) The value of any day care provided (or any amount received as reimbursement for day care costs incurred) under paragraph (1)—

"(A) shall not be treated as income of any person for purposes of any other Federal or federally-supported program which bases eligibility for or the amount of benefits upon need, and

"(B) may not be claimed as an employment-related expense for purposes of the credit under section 21 of the Internal Revenue Code of 1986."

(b) CONTINUATION AFTER ELIGIBILITY FOR AID CEASES.—(1) Subparagraph (A) of section 402(g)(1) of such Act (as added by subsection (a) of this section) is amended by inserting after the first sentence the following new sentence: "The caretaker relative of any dependent child or incapacitated individual whose family ceases to be eligible for family support supplements under the State plan as of the close of any month (if at that time the family has earnings) shall continue to be entitled to reimbursement for the costs of any day care (subject to the applicable dollar limitations specified in the succeeding sentence) which is determined by the State agency to be reasonably necessary for his or her employment, for a period of 6 months after the close of such month, under a sliding scale formula established by the State which shall be based on the family's ability to pay (and under which such applicable dollar limitations are appropriately reduced to reflect such ability)."

(2) Subparagraph (D) of section 402(g)(1) of such Act (as so added) is amended by striking out "second" and inserting in lieu thereof "third".

(c) DEMONSTRATION AUTHORITY: PROJECTS TO ENCOURAGE STATES TO EMPLOY AFDC MOTHERS AS PAID DAY CARE PROVIDERS, AND TO TEST THE EFFECT OF A LARGER EXCLUSION OF AUTOMOBILES FROM RESOURCES.—Section 1115(b) of such Act (as added by section 102(b) of this Act) is amended by redesignating paragraph (4) as paragraph (6), and by inserting after paragraph (3) the following new paragraphs:

"(4)(A) In order to encourage States to employ or arrange for the employment of parents (of dependent children receiving aid under State plans approved under section 402(a)) as providers of day care for other children receiving such aid, including any training which may be necessary to prepare the parents for such employment, up to 5 States may undertake and carry out demonstration projects designed to test whether such employment will effectively facilitate the conduct of the education, training, and work program under section 416 by making additional day care services available to meet the requirements of section 402(g)(1) while affording significant numbers of families receiving such aid a realistic opportunity to avoid welfare dependence.

"(B) The Secretary shall consider all applications received from States desiring to conduct demonstration projects under this paragraph, shall approve up to 5 applications involving projects which appear likely to contribute significantly to the achievement of the purpose of this paragraph, and shall make grants to those States whose applications are approved to assist them in carrying out such projects. Each project under this paragraph shall meet such conditions and requirements as the Secretary shall prescribe.

"(5)(A) In order to test the effect of increasing the maximum excludable value of automobiles under State plans approved under section 402, up to 5 States may undertake and carry out demonstration projects under which the resources of any individual are determined as though the amount prescribed by the Secretary under section 402(a)(7)(B) with respect to such individual's excludable ownership interest in an automobile were the same as the amount that would be excluded or disregarded in similar circumstances under the Food Stamp Act of 1977 (and such section 402(a)(7)(B) shall be deemed to have been modified accordingly for purposes of any such project). Demonstration projects under this paragraph shall meet such conditions and requirements as the Secretary shall prescribe, and no such project shall be conducted for a period of more than 5 years.

"(B) The Secretary shall consider all applications received from States desiring to conduct demonstration projects under this paragraph, shall approve up to 5 applications involving projects which appear likely to contribute significantly to the achievement of the purpose of this paragraph, and shall make grants to the States whose applications are approved to assist them in carrying out such projects. Both

urban and rural States must be included among the States whose applications are approved.”.

SEC. 202. DEVELOPMENT OF NEW CHILD CARE RESOURCES.

Each State agency administering the education, training, and work program under section 416 of the Social Security Act shall regularly assess the availability and reliability of the child care services which are available to participants in such program, and shall take such action as may be necessary or appropriate—

- (1) to develop new child care resources as the need may indicate; and
- (2) to ensure the coordination of child care provided under section 402(g)(1) of the Social Security Act with other child care programs, including child development programs.

The actions required under the preceding sentence shall be taken by the State agency in cooperation with the agency of the State having jurisdiction over the provision of child care services, and shall reflect and take full account of the information set forth in the reports submitted by the State under section 2006(c) of the Social Security Act (as added by section 803 of this Act).

SEC. 203. EFFECTIVE DATE.

The amendments made by this title shall become effective October 1, 1987; except that—

- (1) if the legislature of any particular State is not in regular session on the date of the enactment of this Act, and State legislation is required to provide the funds needed to carry out the amendments made by this title (or otherwise to implement such amendments) in that State, such amendments shall become effective with respect to that State on the first day of the first fiscal year which begins after the legislature has subsequently convened for a regular session during which a budget is (or is scheduled to be) adopted by the State; and
- (2) section 402(g)(2) of the Social Security Act (as added by section 201(a) of this Act) shall become effective on the date on which the amendment made by section 101(b) of this Act becomes effective.

TITLE III—REAL WORK INCENTIVES

SEC. 301. CHANGES IN EARNED INCOME DISREGARDS.

(a) IN GENERAL.—Section 402(a)(8) of the Social Security Act (as amended by section 103(a)(1) of this Act) is further amended to read as follows:

“(8)(A) provide (subject to subsection (g)(1)(C)) that, with respect to any month, in making the determination under paragraph (7), the State agency—

“(i) shall disregard all of the earned income of each dependent child receiving family support supplements who is (as determined by the State in accordance with standards prescribed by the Secretary) a full-time student or a part-time student who is not a full-time employee attending a school, college, or university, or a course of vocational or technical training designed to prepare him or her for gainful employment;

“(ii) shall disregard from the earned income of any child or relative applying for or receiving family support supplements, or of any other individual (living in the same home as such relative and child) whose needs are taken into account in making such determination, the first \$100 of the total of such earned income for such month;

“(iii) shall disregard from the earned income of any child or relative receiving family support supplements, or of any other individual (living in the same home as such relative and child) whose needs are taken into account in making such determination, an amount equal to 25 percent of the total of such earned income not disregarded under any other clause of this subparagraph;

“(iv) shall disregard the first \$50 of any child support payments received in such month with respect to the dependent child or children in any family applying for or receiving family support supplements (including support payments collected and paid to the family under section 457(b));

“(v) may disregard the income of any dependent child or minor parent applying for or receiving family support supplements which is derived from a program carried out under the Job Training Partnership Act, but only in such amounts and for such period of time (not to exceed 6 months with respect to earned income) as the Secretary may provide in regulations;

“(vi) may disregard all or any part of the earned income of a dependent child who is a full-time student and who is applying for family support sup-

plements, but only if the earned income of such child is excluded for such month in determining the family's total income under paragraph (18); and
 "(vii) shall disregard any refund of Federal income taxes made to a family receiving family support supplements by reason of section 32 of the Internal Revenue Code of 1986 (relating to earned income credit) and any payment made to such a family by an employer under section 3507 of such Act (relating to advance payment of earned income credit); and

"(B) provide that (with respect to any month) the State agency shall not disregard, under clause (ii) or (iii) of subparagraph (A), any earned income of any one of the persons specified in subparagraph (A)(ii) if such person—

"(i) terminated his or her employment or reduced his or her earned income without good cause within such period (of not less than 30 days) preceding such month as may be prescribed by the Secretary;

"(ii) refused without good cause, within such period preceding such month as may be prescribed by the Secretary, to accept employment in which he or she is able to engage which is offered through the public employment offices of the State, or is otherwise offered by an employer if the offer of such employer is determined by the State or local agency administering the State plan, after consulting with the employer, to be a bona fide offer of employment; or

"(iii) failed without good cause to make a timely report (as prescribed by the State plan pursuant to paragraph (14)) to the State agency of earned income received in such month;"

(b) **INCREASES IN AMOUNTS TO BE DISREGARDED.**—(1) Section 402 of such Act (as amended by the preceding provisions of this Act) is further amended by adding at the end thereof the following new subsection:

"(h)(1) Any State may at its option increase the dollar amount under clause (ii) or (iv) of subsection (a)(8)(A) or the percentage figure under clause (iii) of such subsection (or increase both of such dollar amounts, or either or both of such dollar amounts as well as such percentage figure), effective on the first day of any calendar quarter beginning on or after the effective date of this subsection, so long as such increase (or the combination of such increases) does not have the effect of permitting a family to be eligible for aid under the State plan for any month in violation of subsection (a)(18).

"(2) Whenever benefit amounts under title II are increased by any percentage effective with any month as a result of a determination made under section 215(i), the dollar amount under subsection (a)(8)(A)(ii), as specified therein or as previously increased under paragraph (1) of this subsection or this paragraph, shall be increased by the same percentage (and rounded, when not a multiple of \$1, to the next lower such multiple), effective on the first day of the following month; but no increase under this paragraph shall be effective to the extent that it would permit a family to be eligible for aid under the State plan for any month in violation of subsection (a)(18)."

(2) Section 457(b)(1) of such Act is amended by inserting after "monthly support payments" the following: "(or such larger portion of the amounts so collected as the State may have established, for purposes of section 402(a)(8)(A)(iv), under section 402(h)(1))".

(c) **CONFORMING AMENDMENT.**—Section 402(d) of such Act is repealed.

SEC. 302. EFFECTIVE DATE.

The amendments made by section 301 shall be effective on and after October 1, 1988; except that if the legislature of any particular State is not in regular session on the date of the enactment of this Act, and State legislation is required to provide the funds needed to carry out the amendments made by section 301 (or otherwise to implement such amendments) in that State, such amendments shall become effective with respect to that State on the first day of the first fiscal year which begins after the legislature has subsequently convened for a regular session during which a budget is (or is scheduled to be) adopted by the State.

TITLE IV—TRANSITIONAL SERVICES FOR FAMILIES

SEC. 401. MEDICAID ELIGIBILITY.

Section 402(a) of the Social Security Act (as amended by the preceding provisions of this Act) is further amended by striking out paragraph (37), and by inserting after paragraph (36) the following new paragraph:

"(37) provide that if any family ceases to receive family support supplements under the State plan as of the close of any month (and at that time has earnings), such family shall be treated for purposes of title XIX as continuing to receive such supplements for a period of 6 months after the close of such month; except that (A) this paragraph shall not apply if the family's eligibility for such supplements was terminated because of fraud or the imposition of a sanction, (B) if at any time during such 6-month period—

"(i) the family ceases to include a child who is (or would if needy be) a dependent child, or

"(ii) any member of the family terminates his or her employment or reduces his or her earned income without good cause or refuses without good cause to accept employment, or fails to cooperate with the State in establishing paternity or obtaining support or other payments as required by paragraph (26)(B),

such period shall automatically end (as of the close of the last month in which the family included such a child or at the close of the month in which such termination, refusal, or failure occurred), and (C) such 6-month period shall include, and not be in addition to, any period during which the family remains eligible for assistance under such title XIX (after becoming ineligible for family support supplements) under section 406(h) or 1902(e)".

SEC. 402. EFFECTIVE DATE.

The amendment made by section 401 shall apply with respect to families that cease to be eligible for family support supplements on or after October 1, 1988; except that if the legislature of any particular State is not in regular session on the date of the enactment of this Act, and State legislation is required to provide the funds needed to carry out the amendment made by section 401 (or otherwise to implement such amendment) in that State, such amendment shall apply in that State only with respect to families that cease to be so eligible on or after the first day of the first fiscal year which begins after the legislature has subsequently convened for a regular session during which a budget is (or is scheduled to be) adopted by the State.

TITLE V—CHILD SUPPORT ENFORCEMENT AMENDMENTS

SEC. 501. STATE GUIDELINES FOR CHILD SUPPORT AWARD AMOUNTS.

(a) **AUTOMATIC UPDATING OF GUIDELINES.**—Section 467(a) of the Social Security Act is amended by striking out "guidelines for child support award amounts within the State" and all that follows and inserting in lieu thereof the following: "guidelines for child support award amounts within the State, along with procedures for the periodic review and updating of all child support orders in accordance with the procedures described in section 466(a)(10). The guidelines may be established by law or by judicial or administrative action, and must be reviewed and updated if necessary at least once every three years."

(b) **GUIDELINES TO CREATE REBUTTABLE PRESUMPTION.**—Section 467(b) of such Act is amended—

(1) by inserting "(1)" after "(b)";

(2) by striking out ", but need not be binding upon such judges or other officials"; and

(3) by adding at the end thereof the following new paragraph:

"(2) There shall be a rebuttable presumption, in any judicial or administrative proceeding for the award of child support, that the amount of the award which would result from the application of such guidelines is the correct amount of child support to be awarded. A written finding or specific finding on the record that the application of the guidelines would be unjust or inappropriate in a particular case shall be sufficient to rebut the presumption in that case."

(c) **STATE LAW REQUIREMENTS.**—Section 466(a) of such Act is amended by inserting immediately after paragraph (9) the following new paragraph:

"(10) Procedures (including expedited procedures of the type described in paragraph (2)) requiring—

"(A) the uniform application of the guidelines established under section 467, and

"(B) the updating of child support orders at least once every two years on the basis of the reapplication of the State's child support guidelines to the current circumstances of the parties in accordance with the due process requirements of the State, including at a minimum the provision to both par-

ties of all information necessary to determine a new award level under the guidelines and notice and opportunity for a hearing if desired by either party (but nothing in this paragraph or in such procedures shall require the lowering of any support award fixed by contract between the parties)."

SEC. 502. ESTABLISHMENT OF PATERNITY.

(a) IN GENERAL.—(1) Section 466(a)(5) of the Social Security Act is amended by inserting "(A)" after "(5)", and by adding at the end thereof the following new subparagraph:

"(B) Procedures under which the State is required (except in cases where the individual involved has been found under section 402(a)(26)(B) to have good cause for refusing to cooperate)—

"(i) to establish the paternity of every child within the State who is a member of a family receiving aid under the State plan approved under section 402(a), as soon as possible after such child's birth but in any event prior to such child's eighteenth birthday;

"(ii) to require the child and all other parties, in a contested paternity case, to submit to genetic tests upon the request of any such party; and

"(iii) to use a 95-percent probability index from blood tests as a rebuttable presumption of paternity."

(2) In the administration of the child support enforcement program under part D of title IV of the Social Security Act, each State is encouraged to establish and implement a simple civil process for voluntarily acknowledging paternity and a civil procedure for establishing paternity in contested cases.

(3) A State shall be deemed to have satisfied the requirement of section 466(a)(5)(B)(i) of the Social Security Act in the fiscal year 1989 if the number of cases in which paternity is established in that State in that fiscal year is at least 50 percent higher than the number of such cases in the fiscal year 1986, and to have satisfied such requirement in any of the 4 fiscal years following the fiscal year 1989 if the number of cases in which paternity is established in that State in that fiscal year is at least 15 percent higher than the number of such cases in the preceding fiscal year.

(4) As of August 16, 1984, the requirements of section 466(a)(5)(A) of the Social Security Act (as designated by paragraph (1) of this subsection) apply to any child for whom paternity has not yet been established and any child for whom a paternity action was brought but dismissed because a statute of limitations of less than 18 years was then in effect in the State.

(b) IMPUTATION OF SUPPORT IN COMPUTING INCENTIVE PAYMENTS.—Section 458(c) of such Act is amended—

(1) by inserting "(1)" after "(c)";

(2) by redesignating paragraphs (1) and (2) as subparagraphs (A) and (B), respectively; and

(3) by adding at the end thereof the following new paragraph:

"(2) In determining the State's combined FSP/non-FSP administrative costs for any fiscal year under this section, the State shall be deemed to be collecting support in the amount of \$100 a month, for a period of up to 12 months, in every case in which paternity has been established but actual collections have not commenced or the amount being actually collected is less than \$100 a month."

SEC. 503. DEMONSTRATION PROJECTS TO ADDRESS VISITATION AND CUSTODY PROBLEMS.

Section 1115(b) of the Social Security Act (as added and amended by the preceding provisions of this Act) is further amended by redesignating paragraph (6) as paragraph (7), and by inserting after paragraph (5) the following new paragraph:

"(6)(A) In order to encourage States to identify the problems arising in connection with visitation by absent parents and to address problems involving child custody, to determine the magnitude of such problems, and to test possible solutions thereto (including but not limited to the creation of special staffs of mediators to deal with disputes involving court-ordered child access privileges or custody), any State may establish and conduct one or more demonstration projects in accordance with such terms, conditions, and requirements as the Secretary shall prescribe (except that no such project may include the withholding of child support payments pending visitation). No such project shall be conducted for a period of more than 3 years.

"(B) The Secretary may make grants to any State, in amounts not exceeding \$5,000,000 per year, to assist in financing the project or projects established by such State under this paragraph."

SEC. 504. DISREGARDING OF CHILD SUPPORT PAYMENTS FOR FSP PURPOSES.

(a) **IN GENERAL.**—Clause (iv) of section 402(a)(8)(A) of the Social Security Act (as amended by section 301(a) of this Act) is further amended by striking out “of any child support payments received in such month” and inserting in lieu thereof the following: “of any child support payment received in such month which was due for that month, and the first \$50 of any child support payment received in such month which was due for a prior month if such payment was timely made when due by the absent parent.”

(b) **CONFORMING AMENDMENT.**—Section 457(b)(1) of such Act (as amended by section 301(b)(2) of this Act) is further amended by inserting immediately before “shall be paid” the following: “, including a payment received in one month which was due for a prior month if it was timely made when due by the absent parent.”

SEC. 505. REQUIREMENT OF PROMPT STATE RESPONSE TO REQUESTS FOR CHILD SUPPORT ASSISTANCE.

(a) **IN GENERAL.**—Section 452 of the Social Security Act is amended by adding at the end thereof the following new subsection:

“(g) The standards required by subsection (a)(1) shall establish limitations on the period of time (after the determination of a family’s eligibility for aid under a State plan approved under section 402 or the filing of an application for services under this part) within which a State must (1) respond to requests for assistance in locating absent parents or establishing paternity, and (2) begin proceedings to establish or enforce child support awards.”

(b) **STATE PLAN REQUIREMENT.**—Section 454 of such Act is amended—

(1) by striking out “and” after the semicolon at the end of paragraph (22);

(2) by striking out the period at the end of paragraph (23) and inserting in lieu thereof “; and”; and

(3) by inserting immediately after paragraph (23) the following new paragraph:

“(24) provide that the State will observe and comply with the time limits established under section 452(g).”

SEC. 506. AUTOMATED TRACKING AND MONITORING SYSTEMS.

(a) **IN GENERAL.**—Section 454 of the Social Security Act (as amended by section 505(b) of this Act) is further amended—

(1) by striking out “and” after the semicolon at the end of paragraph (23);

(2) by striking out the period at the end of paragraph (24) and inserting in lieu thereof “; and”; and

(3) by inserting immediately after paragraph (24) the following new paragraph:

“(25) provide that, if it does not already have in effect an automatic data processing and information retrieval system meeting all of the requirements of paragraph (16), the State—

“(A) will submit to the Secretary by October 1, 1989 (for his review and approval no later than October 1, 1990) an advance automatic data processing planning document of the type referred to in that paragraph; and

“(B) will have in effect by October 1, 1992, an operational automatic data processing and information retrieval system meeting all the requirements of that paragraph.”

(b) **REPEAL OF 90-PERCENT FEDERAL REIMBURSEMENT RATE FOR AUTOMATED DATA SYSTEMS.**—Effective October 1, 1992, section 455(a)(1) of such Act is amended by striking out “an amount—” and all that follows down through “except that” and inserting in lieu thereof the following: “an amount equal to the percent specified in paragraph (2) of the total amounts expended by such State during such quarter for the operation of the plan approved under section 454; except that”.

SEC. 507. COSTS OF INTERSTATE ENFORCEMENT DEMONSTRATIONS EXCLUDED IN COMPUTING INCENTIVE PAYMENTS.

Section 458(d) of the Social Security Act is amended by inserting immediately before the period at the end thereof the following: “, and any amounts expended by the State in carrying out a special project assisted under section 455(e) shall be excluded”.

SEC. 508. FEDERAL MATCHING REDUCED FOR STATES WHICH ARE NOT IN COMPLIANCE WITH 1984 AMENDMENTS, AND INCREASED FOR STATES WHICH REQUIRE IMMEDIATE INCOME WITHHOLDING UPON ISSUANCE OF COURT ORDER.

Section 455(a)(2) of the Social Security Act is amended—

(1) by striking out “The percent” and inserting in lieu thereof “(A) Except as provided in subparagraphs (B) and (C), the percent”;

(2) by redesignating the existing subparagraphs (A), (B), and (C) as clauses (i), (ii), and (iii), respectively; and

(3) by adding at the end thereof the following new subparagraphs:

"(B) In the case of a State that is not fully in compliance with the Child Support Enforcement Amendments of 1984, as determined by the Secretary, at any time after the expiration of 6 months after the date of the enactment of this subparagraph, the percent applicable to any quarter for purposes of paragraph (1) is 66 percent.

"(C) In the case of any State that has in effect a law (whether enacted before, on, or after the date of the enactment of this subparagraph) under which—

"(i) income withholding in accordance with section 466(b) is required in cases where an individual residing in the State owes child support under a court order issued or modified in the State on or after the date of the enactment of such law (or under an order of an administrative process established by a law of the State and issued or modified on or after that date), without the necessity of any application therefor or of any determination as to whether or not such individual is in arrears, and

"(ii) an exemption from the requirement described in clause (i) is permitted in any case where (I) one of the parties demonstrates, and the court (or administrative process) finds, that there is good cause not to require immediate income withholding, or (II) a written agreement is reached between both parties which provides for an alternative arrangement, the percent applicable to any quarter for purposes of paragraph (1) for any fiscal year (unless subparagraph (B) of this paragraph applies) is 70 percent."

SEC. 509. COMMISSION ON INTERSTATE ENFORCEMENT.

(a) **ESTABLISHMENT OF COMMISSION; PURPOSE.**—There is hereby established a study commission to examine the problems of interstate child support enforcement and to develop a new model interstate law to facilitate and strengthen such enforcement.

(b) **MEMBERSHIP.**—The commission shall consist of 15 members, as follows:

(1) Two Members of the Senate, one selected by the Majority Leader of the Senate and the other by the Minority Leader of the Senate.

(2) Two Members of the House of Representatives, one selected by the Speaker of the House and the other by the Minority Leader of the House.

(3) The Secretary of Health and Human Services.

(4) A representative of the Commissioners on Uniform State Laws.

(5) A director of a State child support enforcement agency.

(6) A State or local prosecutor.

(7) Seven advocates for or representatives of custodial and non-custodial parents.

The members specified in paragraphs (4) through (7) shall be selected jointly by the Speaker of the House and the Majority Leader of the Senate in consultation with the Minority Leader of the House and the Minority Leader of the Senate.

(c) **REPORT.**—No later than one year after the date of the enactment of this Act, the commission shall submit to the President and the Congress a full and complete report of the results of its study, including a draft of a model State law designed to facilitate and strengthen interstate child support enforcement, along with such recommendations as the commission may have for further legislative, administrative, and other actions at every level.

(d) **AUTHORIZATION OF FUNDS.**—There are authorized to be appropriated such sums as may be necessary to carry out this section.

SEC. 510. STUDY OF CHILD-RAISING COSTS.

The Secretary of Health and Human Services shall conduct a study of the patterns of expenditures on children in two-parent families, in single-parent families following divorce, and in single-parent families in which the parents were never married, giving particular attention to the relative standards of living in households in which both parents and all of the children do not live together. The Secretary shall submit to the Congress no later than two years after the date of the enactment of this Act a full and complete report of the results of such study, including such recommendations as the Secretary may have for legislative, administrative, and other actions. There are authorized to be appropriated such sums as may be necessary to carry out this section.

SEC. 511. DEMONSTRATION PROJECTS TO TEST VOLUNTARY WORK, EDUCATION, AND TRAINING FOR FATHERS WHO ARE UNABLE TO PAY CHILD SUPPORT.

Section 1115(b) of the Social Security Act (as added and amended by the preceding provisions of this Act) is further amended by redesignating paragraph (7) as paragraph (8), and by inserting after paragraph (6) the following new paragraph:

"(7) In order to permit States to test methods of improving child support enforcement in cases where the noncustodial parent is financially unable to meet his support obligations, any State may undertake and carry out a demonstration project under which absent parents who owe child support, but whose income is insufficient to pay such support, are encouraged by all possible means to participate in the State's education, training, and work program established under section 416, in an appropriate State program under the Job Training Partnership Act, or in a similar program. Demonstration projects under this paragraph shall be established and carried out in accordance with such conditions and requirements as the Secretary shall prescribe; and the Secretary shall make grants to the States conducting such projects to assist in their financing."

SEC. 512. COLLECTION AND REPORTING OF CHILD SUPPORT ENFORCEMENT DATA.

(a) **IN GENERAL.**—The Secretary of Health and Human Services shall collect and maintain up-to-date statistics, by State, with respect to each of the services specified in subsection (b) (separately stated in the case of each such service for families receiving aid under plans approved under part A of title IV of the Social Security Act and for families not receiving such aid), on—

(1) the number of cases in the child support enforcement agency caseload under part D of title IV of the Social Security Act which need the service involved;

(2) the number of such cases in which the service has actually been provided; and

(3) the number of cases described in paragraph (2) as a percentage of the number of cases described in paragraph (1).

(b) **SERVICES INVOLVED.**—The services referred to in subsection (a) are—

(1) paternity determination;

(2) location of an absent parent for the purpose of establishing a child support obligation;

(3) establishment of a child support obligation; and

(4) location of an absent parent for the purpose of enforcing or modifying an established child support obligation.

SEC. 513. ASSISTANCE IN LOCATING ABSENT PARENTS.

(a) **PROVISION OF INFORMATION BY SECRETARY OF LABOR.**—The Secretary of Labor shall make available to the Parent Locator Service established under section 453 of the Social Security Act and to any State child support enforcement agency which requests it, for child support enforcement purposes, from the cross-match system used by the Secretary in determining eligibility for unemployment insurance and accessed by INTERNET, all available information on the name, social security account number, current address, and place of employment of any specified individual.

(b) **REIMBURSEMENT.**—The Parent Locator Service and each State child support enforcement agency, upon receiving information from the Secretary of Labor under subsection (a), shall reimburse the Secretary for the reasonable cost of providing such information (and, in the case of a State child support enforcement agency, such reimbursement shall constitute an expenditure made for the operation of the plan approved under section 454 of the Social Security Act).

SEC. 514. EFFECTIVE DATE.

Except to the extent otherwise specifically indicated, the amendments made by this title shall become effective on the first day of the first calendar quarter which begins one year or more after the date of the enactment of this Act.

TITLE VI—PRO-FAMILY WELFARE POLICIES

SEC. 601. REQUIREMENT THAT AID BE PROVIDED WITH RESPECT TO DEPENDENT CHILDREN IN TWO-PARENT FAMILIES.

(a) **IN GENERAL.**—Section 402(a) of the Social Security Act is amended—

(1) by striking out "and" after the semicolon at the end of paragraph (38);

(2) by striking out the period at the end of paragraph (39) and inserting in lieu thereof "; and"; and

(3) by inserting immediately after paragraph (39) the following new paragraph:

"(40) provide that payments of family support supplements will be made under the plan with respect to dependent children of unemployed parents, in accordance with section 407."

(b) CONFORMING AMENDMENTS.—(1) Section 407(b) of such Act is amended by striking out "(b) The provisions" and all that follows down through "(1) requires" and inserting in lieu thereof the following:

"(b) In providing for the payment of family support supplements under the State's plan approved under section 402 in the case of families which include dependent children within the meaning of subsection (a) of this section, as required by section 402(a)(40), the State's plan—

"(1) shall require"

(2) Section 407(b)(2) of such Act is amended by striking out "provides—" and inserting in lieu thereof "shall provide—".

(c) QUARTERS OF WORK BASED ON EDUCATION OR TRAINING.—(1) Section 407(d)(1) of such Act (as amended by section 103(a)(10) of this Act) is further amended—

(A) by inserting "(A)" after "means a calendar quarter"; and

(B) by inserting before the semicolon at the end thereof the following: ", or (B) if the State plan so provides (but subject to the last sentence of this subsection), in which such individual (i) was in regular full-time attendance as a student at an elementary or secondary school, (ii) was in regular full-time attendance in a course of vocational or technical training designed to fit him or her for gainful employment, or (iii) participated in an education or training program established under the Job Training Partnership Act".

(2) Section 407(d) of such Act is further amended by adding at the end thereof (after and below paragraph (4)) the following new sentence:

"No individual shall be credited during his or her lifetime (for purposes of subsection (b)(1)(C)(i)) with more than 4 'quarters of work' based on attendance in a course or course of vocational or technical training as described in paragraph (1)(B)(ii) of this subsection."

(3) Section 407(b)(1)(C)(i) of such Act is amended by inserting after "6 or more quarters of work (as defined in subsection (d)(1))" the following: ", including 2 or more quarters of work as defined in subsection (d)(1)(A)".

(d) GAO STUDY.—The Comptroller General shall conduct a study of the administration by the States of the family support program in cases involving unemployed parents under section 407, with particular reference to the policies and regulations governing the administration of such program in those cases, and shall recommend to the Congress within 6 months after the date of the enactment of this Act such changes in current law and regulation as in his judgment would make such administration less cumbersome and less prone to error in the payment of such aid. There are authorized to be appropriated such sums as may be necessary to carry out this section.

(e) EFFECTIVE DATE.—The amendments made by subsections (a), (b), and (c) shall become effective January 1, 1990.

SEC. 602. SPECIAL PROVISIONS FOR FAMILIES HEADED BY MINOR PARENTS.

(a) CASE MANAGEMENT SERVICES; LIVING ARRANGEMENTS AND PAYMENTS OF AID.—(1) Section 402(a) of the Social Security Act is amended by inserting after paragraph (28) the following new paragraph:

"(29) provide for the assignment of a case manager to each family which is receiving family support supplements under the plan and which is headed by a minor parent, as described in section 417, and include the other provisions and conditions required by that section;"

(2) Part A of title IV of such Act (as amended by section 101(b) of this Act) is further amended by adding at the end thereof the following new section:

"SPECIAL PROVISIONS FOR FAMILIES HEADED BY MINOR PARENTS

"SEC. 417. (a)(1) The State agency shall assign an individual case manager to each family, receiving family support supplements under the State's plan approved under section 402, which is headed by a minor parent. The case manager so assigned shall be responsible for assuring that the family receives and effectively uses all of the aid and services which are available to it under the plan and under related laws and programs, and for supervising and monitoring the provision and use of such aid and services. Each case manager assigned under this subsection shall maintain a caseload sufficiently small to assure the provision of intensive services to and close supervision of the families to which he or she is assigned.

"(2) If the family is participating in the program under section 416, only one case manager shall be assigned to perform all case management functions for the family.

"(b)(1)(A) Each family headed by an unmarried minor parent shall be required to live with a parent, legal guardian, or other adult relative of such minor parent or in a foster home, maternity home, or other supportive living arrangement, except to the extent that the State agency determines that it is impossible or inappropriate to do so (as more particularly described in subparagraph (B)). The case manager assigned to the family may in any event require that payments of family support supplements with respect to the family be made when appropriate to a third party in the manner described in section 406(b)(2) (which in such a case shall be without regard to clauses (A) through (D) thereof; and if the minor parent is not living under adult supervision, and an appropriate relative or other representative payee cannot be found, the case manager may serve as representative payee.

"(B) The State agency may determine that it is impossible or inappropriate for a minor parent to live with a parent or legal guardian if—

"(i) the minor parent has no living parent or legal guardian whose whereabouts are known;

"(ii) the health or safety of the minor parent or the child would be jeopardized if they lived with the parent or guardian, or the living conditions of the parent or guardian are overcrowded;

"(iii) the parent or guardian refuses to allow the minor parent and child to live in his or her home; or

"(iv) the minor parent has lived apart from the parent or guardian for at least a year prior to the birth of the child or prior to making application for supplements under the plan.

"(2) In any case where the parent with whom the minor parent is living is also eligible for family support supplements (by reason of the presence in the household of one or more other children of such parent), the State must provide (notwithstanding paragraph (38)) that the minor parent and the minor parent's child or children constitute a family unit separate from that of the minor parent's parent and such other children.

"(c) The State may at its option (1) require school attendance by the minor parent on a part-time basis as a condition of such parent's eligibility for aid under the State plan, or (2) require that the minor parent participate in training in parenting and family living skills, including nutrition and health education, as a condition of such eligibility (without regard to the age of the child or children); but in either case only if and to the extent that day care for the child or children is guaranteed (and is guaranteed within the applicable dollar limitations set forth in section 402(g) if the child or any of the children is below 3 years of age).

"(d) Amounts expended by a State under this section in providing case management services with respect to families headed by minor parents shall be considered, for purposes of section 403(a)(3)(D), to be expenditures for the proper and efficient administration of the State plan.

"(e) For purposes of this section, the term 'minor parent' means a parent who has not yet attained the age of 18."

(b) REPEAL OF PROVISION ATTRIBUTING GRANDPARENT'S INCOME TO DEPENDENT CHILD IN MINOR PARENT FAMILY.—Section 402(a) of such Act is further amended by striking out paragraph (39).

(c) EFFECTIVE DATE.—The amendments made by this section shall become effective on October 1, 1987.

TITLE VII—BENEFIT IMPROVEMENTS

SEC. 701. PERIODIC RE-EVALUATIONS OF NEED AND PAYMENT STANDARDS.

Section 402 of the Social Security Act (as amended by the preceding provisions of this Act) is further amended by adding at the end thereof the following new subsection:

"(i) Each State shall annually re-evaluate its need standard and its payment standard under the family support program, giving particular attention to whether or not the amount which it has assumed to be necessary for shelter, in setting such standards, is adequate in the light of current housing costs in the State and in different regions within the State. The result of each such re-evaluation shall be reported by the State to the Secretary, to the Congress, and to the public."

SEC. 702. ENCOURAGEMENT OF STATES TO INCREASE FSP BENEFIT LEVELS.

(a) IN GENERAL.—(1) Section 403 of the Social Security Act is amended by adding at the end thereof the following new subsection:

“(k)(1)(A) In the case of any State which, effective on or after October 1, 1988, increases the level of the family support supplements which are payable under its approved State plan, the percentage of the total amount expended during any quarter as family support supplements under such plan which would otherwise be payable to the State (without regard to this subsection) as the Federal share of such expenditures under subsection (a) (1) or (2) (with or without the application of section 1118), to the extent that the total amount so expended is attributable to such increase, shall be equal to the percentage of the Federal share of the expenses attributable to such increase, as it would be determined by the application of subsection (a) (1) or (2) without regard to this subsection, increased by 25 percent (but not to more than 90 percent).

“(B) If the increase involved becomes effective on the first day of a quarter, subparagraph (A) shall apply with respect to expenditures made on and after such first day. If the increase becomes effective at any other time during a quarter, subparagraph (A) shall apply only with respect to expenditures made on and after the first day of the following quarter.

“(C) The resulting net Federal share of the total amounts expended during such quarter as family support supplements under the State plan (including both the expenditures to which this paragraph applies and the expenditures to which it does not) shall be determined as provided in paragraph (2).

“(2)(A) Whenever a State (effective on or after October 1, 1988) increases the level of the family support supplements which are payable under its approved State plan, the Secretary shall determine with respect to each particular size of family separately specified under the plan (assuming for this purpose that no family has any other income)—

“(i) the level of such supplements (expressed as a monthly dollar amount) as of September 30, 1988;

“(ii) the level of such supplements (expressed as a monthly dollar amount) immediately after such increase becomes effective;

“(iii) the dollar amount of the increase (if any) in such level; and

“(iv) the percentage of the State's total FSP caseload (i.e., of the total number of families receiving family support supplements under the plan) which is represented by families of that particular size.

“(B) The Federal share of the expenditures which are made as family support supplements under the State plan with respect to families of any particular size during any quarter commencing with the later of the quarter beginning October 1, 1988, or the first quarter in which the increase is effective, and which (if any) are attributable to such increase, shall be a percentage equal to—

“(i) the sum of (I) the level determined under subparagraph (A)(i) for such families multiplied by the net Federal percentage determined under subsection (a) (1) or (2) or section 1118 without regard to this subsection, and (II) the amount of the increase (if any) determined under subparagraph (A)(iii) for such families multiplied by the percentage of the Federal share of the expenditures attributable to such increase as determined under paragraph (1)(A), divided by—

“(ii) the level determined under subparagraph (A)(ii), with the resulting quotient multiplied by—

“(iii) the percentage of the State's total FSP caseload which is represented by families of that particular size as determined under subparagraph (A)(iv).

“(C) The net Federal share of the total amounts expended during the quarter involved as family support supplements under the State's approved plan for purposes of subsection (a) (1) or (2) shall be a percentage equal to the sum of the percentages determined for all family sizes by the application of clauses (i), (ii), and (iii) of subparagraph (B) to families of each such size separately; and the percentage of such net Federal share as so determined shall be in lieu of the percentage which would otherwise be applied under subsection (a) (1) or (2) or under section 1118.”.

(2)(A) Section 403(a) of such Act is amended by striking out “an amount equal to” in paragraphs (1) and (2) and inserting in lieu thereof in each instance “an amount (subject to subsection (k)) equal to”.

(B) The first sentence of section 1118 of such Act is amended by inserting “(subject to section 403(k))” after “be determined”.

(3) The Secretary of Health and Human Services shall monitor and study the implementation of the amendments made by this subsection and the effect of such amendments on benefit levels and related aspects of the program under part A of

title IV of the Social Security Act, and shall submit to the Congress on or before October 1, 1991, and again on or before October 1, 1993, a detailed report on such implementation and effect.

(b) **PROHIBITION AGAINST BENEFIT REDUCTIONS.**—Section 402(a) of such Act (as amended by sections 601(a) and 602(b) of this Act) is further amended by inserting after paragraph (38) the following new paragraph:

“(39) provide that the State will not reduce the level of the aid payable under the State plan to families of any size or composition below the level in effect for such families on June 10, 1987 (or below a level scheduled to become effective for such families after that date (and on or before September 30, 1988) under a State law enacted on or before June 10, 1987); and”.

SEC. 703. STUDY OF NEW NATIONAL APPROACHES TO WELFARE BENEFITS FOR LOW-INCOME FAMILIES WITH CHILDREN.

(a) **IN GENERAL.**—The Secretary of Health and Human Services shall enter into a contract or arrangement with the National Academy of Sciences for the study of a new national system of welfare benefits for low-income families with children, giving particular attention to what an appropriate national minimum benefit might be and how it should be calculated. The study shall give consideration to alternative minimum benefit proposals including proposals for benefits based on a family living standard, on weighted national median income, on State median income, and on the poverty level, and shall take into account the probable impact of a national minimum benefit on individuals and on State and local governments.

(b) **METHODOLOGY.**—(1) The study under this section shall include the development of a uniform national methodology which could be used to calculate State-specific family living standards and benefits based on other minimum benefit proposals.

(2) The methodology so developed shall be designed to identify a single uniform measure suitable for application in each State, and shall—

(A) take into account actual living costs in each State while permitting variations in such costs as between the different geographic areas of the State;

(B) take into account variations in actual living costs in each State for families of different sizes and composition; and

(C) specify an effective process for reassessing and updating both the methodology and the resulting family living standards and benefits based on other minimum benefit policies at least once every four years.

(3) The methodology so developed shall reflect the costs of basic necessities including housing, furnishings, food, clothing, transportation, utilities, and other maintenance items; and the study shall take into account variations in costs for different geographic areas of the State where such costs may be substantially different, and variations in costs for families of different sizes and composition.

(c) **OTHER CONSIDERATIONS; PROGRESSION TO PROPOSED MINIMUM BENEFIT LEVELS.**—In order to assess the implications of States moving to a new system of welfare benefits, the study shall include an analysis of the relationship between a State's fiscal capacity and other circumstances and constraints and the application of a full family living standard or other minimum benefit policy. The study shall propose a formula designed to achieve a uniform progression from the level of assistance currently being provided for low-income families with children under the family support program, the food stamp program, and the low-income energy assistance program, by each State, to a level based on the full family living standard or other minimum benefit policy for that State. For this purpose the Secretary shall define the term “low-income families with children” in a manner which reflects all families that include dependent children as defined for purposes of the family support program.

(d) **REPORT AND RECOMMENDATIONS.**—The Academy shall report its recommendations resulting from the study under this section to the Secretary no later than 24 months after the date of the enactment of this Act; and the Secretary shall promptly transmit such recommendations to the Congress.

(e) **AUTHORIZATION OF FUNDS.**—There are authorized to be appropriated such sums as may be necessary to carry out this section.

TITLE VIII—MISCELLANEOUS PROVISIONS

SEC. 801. COORDINATION OF FAMILY SUPPORT AND FOOD STAMP POLICIES.

(a) **APPOINTMENT AND MEMBERSHIP OF COMMISSION.**—There is hereby established a Commission on the Coordination of Family Support and Food Stamp Policies (hereinafter referred to as the “Commission”), consisting of 15 members as follows:

(1) The Secretary of Health and Human Services.

(2) The Secretary of Agriculture.

(3) Two Members of the Senate, one selected by the Majority Leader of the Senate and the other by the Minority Leader of the Senate.

(4) Two Members of the House of Representatives, one selected by the Speaker of the House and the other by the Minority Leader of the House.

(5) Two State Governors, one selected jointly by the Speaker of the House and the Majority Leader of the Senate and the other selected jointly by the Minority Leader of the House and the Minority Leader of the Senate.

(6) Seven other members, including State and local officials responsible for administering the family support and food stamp programs, representatives of welfare advocacy organizations, and individuals with demonstrated expertise in welfare policy, to be selected jointly by the Speaker of the House and the Majority Leader of the Senate in consultation with the Minority Leader of the House and the Minority Leader of the Senate.

(b) PURPOSE.—It shall be the purpose of the commission—

(1) to study and consider the policies and definitions being implemented or used (under law or administrative practice) in the administration of the family support program under part A of title IV of the Social Security Act and those being so implemented or used in the administration of the food stamp program under the Food Stamp Act of 1977;

(2) to identify the policies and definitions being implemented or used under each such program which are inconsistent or in conflict with those being implemented or used under the other; and

(3) to make recommendations for developing common policies and definitions for use under both programs and thereby eliminating such inconsistency or conflict to the maximum extent possible.

(c) REPORT.—The commission shall submit to the President and the Congress within one year after the date of the enactment of this Act a full and complete report on its study under this section, including its recommendations for such legislative, administrative, and other actions as may be considered appropriate.

(d) AUTHORIZATION OF FUNDS.—There are authorized to be appropriated such sums as may be necessary to carry out this section.

SEC. 802. UNIFORM REPORTING REQUIREMENTS.

Section 403 of the Social Security Act is amended by inserting immediately before subsection (f) the following new subsection:

“(e) In order to assist in obtaining the information needed to carry out subsection (b)(1) and otherwise to perform his duties under this part, the Secretary shall establish uniform reporting requirements under which each State will be required periodically to furnish such information and data as the Secretary may determine to be necessary to ensure that sections 402(a)(37), 402(g), and 417 are being effectively implemented, including at a minimum the average monthly number of families assisted under each such section, the types of such families, the amounts expended with respect to such families, and the length of time for which such families are assisted. The information and data so furnished with respect to families assisted under section 402(g) shall be separately stated with respect to families who have earnings and those who do not, and with respect to families who are receiving aid under the State plan and those who are not.”

SEC. 803. STATE REPORTS ON EXPENDITURE AND USE OF SOCIAL SERVICES FUNDS.

Section 2006 of the Social Security Act is amended—

(1) by striking out that part of the second sentence of subsection (a) which precedes “as the State finds necessary” and inserting in lieu thereof “Reports shall be prepared annually, covering the most recently completed fiscal year, and shall be in such form and contain such information (including but not limited to the information specified in subsection (c))”;

(2) by redesignating subsection (c) as subsection (d); and

(3) by inserting after subsection (b) the following new subsection:

“(c) Each report prepared and transmitted by a State under subsection (a) shall set forth (with respect to the fiscal year covered by the report)—

“(1) the number of individuals who received services paid for in whole or in part with funds made available under this title, showing separately the number of children and the number of adults who received such services, and broken down in each case to reflect the types of services and circumstances involved;

“(2) the amount actually spent in providing each such type of service, showing separately for each type of service the amount spent per child recipient and the amount spent per adult recipient;

"(3) the criteria applied in determining eligibility for services (such as income eligibility guidelines, sliding fee scales, the effect of public assistance benefits, and any requirements for enrollment in school or training programs); and

"(4) the methods by which services were provided, showing separately the services provided by public agencies and those provided by private agencies, and broken down in each case to reflect the types of services and circumstances involved.

The Secretary shall establish uniform definitions of services for use by the States in preparing the information required by this subsection."

SEC. 804. EVALUATION OF EMPLOYMENT, TRAINING, AND WORK PROGRAMS AND RELATED PROGRAMS.

(a) **STATEMENT OF PURPOSE.**—It is the view of the Congress that there is now a broad national consensus on the importance of work and preparation for work as a means of avoiding the dependency often associated with poverty. In recent years, the States have undertaken impressive new job search, education, training, and employment programs designed to help welfare recipients achieve financial independence. Evaluations of these programs provide some reason to think they may be successful in moving welfare recipients into the workforce. In enacting this Act the Congress is attempting to help the States pursue these programs by providing generous new resources and a great deal of flexibility in designing and implementing the programs. In addition, the Congress is granting the States great latitude in using funds currently addressed to meeting the needs of low-income citizens and citizens living in poverty. But the Congress also intends to learn as much as possible from this new investment of public funds and this new enrichment of Federal-State relations. In recent years the Congress has profited from the knowledge produced by large-scale evaluations; it is the intent of the Congress to pursue the strategy of careful evaluation of social programs in order to improve and perfect the legislation upon which these programs are based. It is the purpose of this section to carry out this objective.

(b) **ESTABLISHMENT OF INTERAGENCY PANEL.**—Within 3 months after the enactment of this Act, the Secretary of Health and Human Services shall convene an Interagency Panel consisting of representatives from the Office of Management and Budget, the Congressional Budget Office, the Congressional Research Service, and the General Accounting Office. The Panel shall meet periodically to design, implement, and monitor a series of implementation and evaluation studies to assess the methods and effects of the programs initiated under this Act. Insofar as possible, the Panel shall work in a collegial fashion; but if consensus cannot be reached among Panel members on particular decisions the Secretary of Health and Human Services is authorized to make all final decisions about program design, use of contractors, conduct of particular studies, and any other matters which may come before the Panel.

(c) **ADVISORY BOARD.**—Within 6 months after the enactment of this Act, the Interagency Panel shall select and appoint an advisory board of not more than 12 members. The advisory board shall include representatives of business, labor, academia, children's groups, State government, local government, welfare rights organizations, religious organizations, and community self-help organizations. The advisory board shall meet at least twice during the first year following its formation and at least once a year thereafter. It shall be the function of the advisory board to provide the Interagency Panel with advice and counsel on all aspects of its operation.

(d) **OPERATION OF INTERAGENCY PANEL.**—(1) The Interagency Panel shall identify the significant questions to be pursued in its studies, and shall also adopt an overall design that maximizes the knowledge gained from contrasts and comparisons between the individual studies. The Panel shall make special efforts to coordinate with the States and to use control groups and other methods of scientific evaluation whenever possible.

(2) The Panel may request the Secretary of Health and Human Services to supply any information, in the possession of or available to the Secretary, which may be of assistance in carrying out the Panel's functions under this section, and may request the Secretary to obtain any such information from States by requiring its inclusion in any of the State reports provided for under this Act or otherwise provided for by law. To the maximum extent possible, the Secretary shall comply with any request received from the Panel under this subsection.

(e) **REPORTS.**—The Interagency Panel shall report to the Congress and the President at such times as it sees fit to do so, but at least once each year, during the 5-year period beginning on the date of the enactment of this Act. The first such report shall cover the implementation of the programs under this Act during the period prior to the submission of that report; and the subsequent reports shall include an

overview of each study the Panel it has conducted or authorized, an overall assessment of the State programs initiated under this Act, and a set of specific recommendations to the Congress and the President on needed changes in legislation, regulations, and program administration at the State and Federal levels. The final report shall cover the first four years of program implementation and shall be published no later than five years after the enactment of this Act.

(f) **AUTHORIZATION OF APPROPRIATIONS.**—There is authorized to be appropriated the total sum of \$20,000,000 to enable the Panel to perform its functions during the first five years of its existence.

SEC. 805. DEMONSTRATION PROGRAM OF GRANTS TO PROVIDE PERMANENT HOUSING FOR FAMILIES THAT WOULD OTHERWISE REQUIRE EMERGENCY ASSISTANCE.

(a) **ESTABLISHMENT OF PROGRAM.**—Section 1115 of the Social Security Act (as amended by the preceding provisions of this Act) is further amended by adding at the end thereof the following new subsection:

“(c)(1) In order to ensure that States which incur particularly high costs in providing emergency assistance for temporary housing to homeless FSP families may have an adequate opportunity to test whether such costs could be effectively reduced by the construction or rehabilitation (with the assistance of Federal grants) of permanent housing that such families can afford with their regular family support supplements, there is hereby established a demonstration program under which the Secretary shall make grants to those States, selected in accordance with paragraph (2), which conduct demonstration projects in accordance with this subsection.

“(2)(A) Any State which desires to participate in the demonstration program established by paragraph (1) may submit an application therefor to the Secretary.

“(B) To be eligible for selection to conduct a demonstration project under such program, a State—

“(i) must be currently providing emergency assistance (as defined in paragraph (6)(A)) in the form of housing, including transitional housing;

“(ii) must have a particularly acute need for assistance in dealing with the problems of homeless FSP families by virtue of the large number of such families, and the existence of shortages in the supply of low-income housing, in the political subdivision or subdivisions where such project would be conducted; and

“(iii) must submit a plan to achieve significant cost savings over a 10-year period through the conduct of such project with assistance under this subsection.

“(C) The Secretary shall select up to 3 States, from among those which submit applications under subparagraph (A) and are determined to be eligible under subparagraph (B), to conduct demonstration projects in accordance with this subsection. In the event that more than 3 States are determined to be eligible, the 3 States selected shall be those whose cost savings (as described in clause (iii) of subparagraph (B)) will be the greatest.

“(D) Grants for each demonstration project under this subsection shall be awarded within 6 months after the date of the appropriation of funds (pursuant to paragraph (8)) for the purposes prescribed in this subsection.

“(3) For each year during which a State is conducting a demonstration project under this subsection, the Secretary shall make a grant to such State, in an amount determined under paragraph (8)(B)), for the construction or rehabilitation of permanent housing to serve individuals and families who would otherwise require emergency assistance in the form of temporary housing.

“(4) A grant may be made to a State under paragraph (2) only if such State (along with or as a part of its application) furnishes the Secretary with satisfactory assurances that—

“(A) the proceeds of the grant will be used exclusively for the construction or rehabilitation of permanent housing to be owned by the State, a political subdivision of the State, an agency or instrumentality of the State or of a political subdivision of the State, or a nonprofit organization;

“(B) all units assisted with funds from the proceeds of the grant will be used exclusively for rental to families which—

“(i) are eligible, at the time of the rental, for aid under the State's plan approved under section 402 (and a family with one or more members who meet this requirement shall not be deemed ineligible because one or more other members receive benefits under title XVI),

“(ii) have been unable to obtain decent housing at rents that can be paid with the portion of such aid allocated for shelter, and

“(iii) if such housing were not available to them, would be compelled to live in a shelter for the homeless or in a hotel or motel, or other temporary accommodations, paid for with emergency assistance, or would be homeless;

"(C) the local jurisdiction in which such housing will be located is experiencing a critical shortage of housing units that are available to families eligible for aid under the State plan at rents that can be paid with the portion of such aid allocated for shelter; and

"(D) whenever units assisted with grants under the project become available for occupancy, the State will discontinue the use of an equivalent number of units of the most costly accommodations it has been using as temporary housing paid for with emergency assistance, except to the extent that such accommodations are demonstrably needed—

"(i) in addition to the units so assisted, to take account of increases in the caseload under the emergency assistance program, or

"(ii) because, due to the condition or location of such accommodations, or other factors, discontinuing the use of such units would not be in the best interests of needy families, provided that the State discontinues the use of an equivalent number of other units it has been using as temporary housing paid for with emergency assistance;

and only if the State, along with or as a part of its application, includes such documentary and other materials as may be necessary to establish its eligibility under paragraph (2)(B) and such provisions as may be necessary to carry out the requirements of subparagraph (D) of this paragraph.

"(5)(A) The average cost to the Federal Government per unit of housing constructed or rehabilitated with a grant under a project under this subsection shall be an amount no greater than the calculated yearly payment of emergency assistance that would be required to provide housing for a family in a shelter for the homeless, a hotel or motel, or other temporary quarters for one year, in the jurisdiction or jurisdictions where the project is located.

"(B) The total of Federal payments to a State under part A of title IV over the 10-year period beginning at the time construction or rehabilitation commences under the State's project under this subsection, with respect to the families who will live in housing assisted by a grant under such project (the 'total grant cost' as more particularly defined in paragraph (6)(C)), must be lower as a result of the construction or rehabilitation of permanent housing with the grant than it would be if the State made emergency assistance payments with respect to the families involved at the level of the standard yearly payment (as defined in paragraph (6)(B)) during such 10-year period.

"(C) Any grant to a State under paragraph (1) shall be made only on condition (i) that such State pay a percentage of the total cost of the construction or rehabilitation of the housing involved equal at least to the percentage of the current non-Federal share of family support supplements under the State's plan approved under section 402 (as determined under section 403(a) or 1118), increased by 10 percentage points, and (ii) that such State not require any of its political subdivisions to pay a higher percentage of the total costs of the construction or rehabilitation of such housing than it would pay with respect to family support supplements pursuant to such State plan.

"(6) For purposes of this subsection—

"(A) the term 'emergency assistance' means emergency assistance to needy families with children as described in section 403(e), and regular payments for the costs of temporary housing authorized as a special needs item under the State plan;

"(B) the term 'standard yearly payment', with respect to emergency assistance used to provide housing for a family in a shelter for the homeless, a hotel or motel, or other temporary quarters during any year in any jurisdiction, means an amount equal to the total amount of such assistance which was needed to provide all housing in temporary accommodations in that jurisdiction (with emergency assistance), in the most recently completed calendar year, at the 75th percentile in the range of all payments of emergency assistance for temporary accommodations, based on the State's actual experience with emergency assistance in such jurisdiction; and

"(C) the term 'total grant cost', with respect to housing constructed or rehabilitated under a demonstration project under this subsection, means the sum of (i) the Federal share of payments attributable to such housing during the 10-year period beginning on the date on which its construction or rehabilitation begins (including the grant provided under this subsection), (ii) the Federal share of payments of emergency assistance for temporary housing to the families involved during such construction or rehabilitation (at a level equal to the standard yearly payment), and (iii) the Federal share of regular payments of

family support supplements under the State plan to such families during the remainder of such 10-year period.

"(7) Whenever a grant is made to a State under this subsection, the assurances required of the State under subparagraphs (A) through (D) of paragraph (4) and any other requirements imposed by the Secretary as a condition of such grant shall be considered, for purposes of section 404, as requirements imposed by or in the administration of the State's plan approved under section 402.

"(8)(A) There is authorized to be appropriated for grants under this subsection the sum of \$15,000,000 for each of the first 5 fiscal years beginning on or after October 1, 1987.

"(B)(i) The amount appropriated for any fiscal year pursuant to subparagraph (A) shall be divided among the States conducting demonstration projects under this subsection according to their respective need for assistance of the type involved and their respective numbers of homeless FSP families, as determined by the Secretary.

"(ii) If any State to which a grant is made under this subparagraph finds that it does not require the full amount of such grant to conduct its demonstration project under this subsection in the fiscal year involved, the unused portion of such grant shall be reallocated to the other States conducting such projects in amounts based on their respective need for assistance of the type involved, as determined by the Secretary.

"(iii) Amounts appropriated pursuant to subparagraph (A), and grants made from such amounts, shall remain available until expended.

"(9) The Secretary shall prescribe and publish regulations to implement the provisions of this subsection no later than 6 months after the date of its enactment."

(b) **EFFECTIVE DATE.**—The amendment made by subsection (a) shall become effective October 1, 1987.

SEC. 806. CHILD SUPPORT DEMONSTRATION PROJECT IN NEW YORK STATE.

(a) **IN GENERAL.**—Upon application by the State of New York and approval by the Secretary of Health and Human Services, the State of New York (in this section referred to as the "State") may conduct a demonstration project in accordance with this section for the purpose of testing its Child Support Supplement Program as an alternative to the existing AFDC program and the Family Support Program.

(b) **NATURE OF PROJECT.**—Under the demonstration project conducted under this section—

(1) all custodial parents of dependent children who are eligible for family support supplements under the State plan approved under section 402(a) of the Social Security Act, and/or such types or classes of such parents as the State may specify, may elect to receive benefits under the Child Support Supplement Program in lieu of family support supplements under such plan; and

(2) the Federal Government will pay to the State with respect to families receiving benefits under the Child Support Supplement Program the same amounts as would have been payable with respect to such families under section 403 (or 1118) of the Social Security Act if they were receiving family support supplements under the State plan, calculating the Federal payments without regard to any increased earnings by such families which may arise from their participation in the Program.

(c) **WAIVERS.**—The Secretary shall (with respect to the project under this section) waive compliance with any requirements contained in title IV of the Social Security Act which (if applied) would prevent the State from carrying out the project or effectively achieving its purpose.

(d) **REQUIRED ASSURANCES.**—As a condition of approval of the project under this section, the State must provide assurances satisfactory to the Secretary that it will continue to make assistance available to all eligible children in the State who are in need of financial support, and will continue to operate an effective child support enforcement program.

(e) **EFFECTIVE DATE AND DURATION OF PROJECT.**—The Secretary shall approve or disapprove the application of the State within 90 days after the date of its submission; and if the application as initially submitted is disapproved the Secretary and the State shall negotiate the revisions necessary for its approval. The project under this section shall commence no later than the first day of the third calendar quarter beginning on or after the date of its approval and shall continue for five years.

SEC. 807. DEMONSTRATION OF FAMILY INDEPENDENCE PROGRAM IN WASHINGTON STATE.

(a) **IN GENERAL.**—Upon application by the State of Washington and approval by the Secretary of Health and Human Services, the State of Washington (in this section referred to as the "State") may conduct a demonstration project in accordance with this section for the purpose of testing whether the operation of its Family Inde-

pendence Program enacted in May 1987 (in this section referred to as the "Program"), as an alternative to the existing AFDC program and the FSP program, would more effectively break the cycle of poverty and provide families with opportunities for economic independence and strengthened family functioning.

(b) **NATURE OF PROJECT.**—Under the demonstration project conducted under this section—

(1) every individual eligible for family support supplements under the State plan approved under section 402(a) of the Social Security Act shall be eligible to enroll in the Program, which shall operate simultaneously with the family support program so long as there are individuals who qualify for the latter;

(2) cash assistance shall be furnished in a timely manner to all eligible individuals under the Program (and the State may not make expenditures for services under the Program until it has paid all necessary cash assistance), with no family receiving less in cash benefits than it would have received under the family support program;

(3) individuals may be required to register, undergo assessment, and participate in work, education, or training under the Program, except that—

(A) work or training may not be required in the case of—

(i) a single parent of a child under 6 months of age, or more than one parent of such a child in a two-parent family,

(ii) a single parent with a child of any age who has received assistance for less than 6 months,

(iii) a single parent with a child under 3 years of age who has received assistance for less than 3 years,

(iv) an individual under 16 years of age or over 64 years of age,

(v) an individual who is incapacitated, temporarily ill, or needed at home to care for an impaired person,

(vi) a woman who is in the third trimester of pregnancy, or

(vii) an individual who has not yet been individually notified in writing of such requirement or of the expiration of his or her exempt status under this subparagraph;

(B) participation in work or training shall in any case be voluntary during the first two years of the Program, and may thereafter be made mandatory only in counties where more than 50 percent of the enrollees can be placed in employment within 3 months after they are job-ready;

(C) in no case shall the work and training aspect of the Program be mandated in any county where the unemployment level is at least twice the State average; and

(D) mandated work shall not include work in any position created by a reduction in the work force, a bona fide labor dispute, the decertification of a bargaining unit, or a new job classification which subverts the intention of the Program;

(4) there shall be no change in existing State law which would eliminate guaranteed benefits or reduce the rights of applicants or enrollees; and

(5) the Program shall include due process guarantees and procedures no less than those which are available to participants in the AFDC or FSP program under Federal law and regulation and under State law.

(c) **WAIVERS.**—The Secretary shall (with respect to the project under this section) waive compliance with any requirements contained in title IV of the Social Security Act which (if applied) would prevent the State from carrying out the project or effectively achieving its purpose.

(d) **FUNDING.**—(1) The Secretary shall reimburse the State for its expenditures under the Program—

(A) at a rate equal to the Federal matching rate applicable to the State under section 403(a)(1) (or 1118) of the Social Security Act, for cash assistance and child care provided to enrollees;

(B) at a rate equal to the applicable Federal matching rate under section 403(a)(3) of such Act, for administrative expenses; and

(C) at the rate of 75 percent for an evaluation plan approved by the Secretary. The State shall be required to pay the same portion of all expenditures made for cash assistance and services under the Program as it would be required to pay if such expenditures were made under its State plan approved under section 402(a) of the Social Security Act.

(2) As a condition of approval of the project under this section, the State must provide assurances satisfactory to the Secretary that the total amount of Federal reimbursement over the period of the project will not exceed the anticipated Federal reimbursements (over that period) under the current family support program; but

this paragraph shall not prevent the State from claiming reimbursement for additional persons who would qualify for aid under the family support program, for costs attributable to increases in the State's payment standard, or for any other federally-matched benefits or services.

(e) **DURATION OF PROJECT.**—(1) The project under this section shall begin on the date on which the first individual is enrolled in the Program, and (subject to paragraph (2)) shall end 5 years after that date.

(2) The project may be terminated at any time, on 6 months written notice, by the State or (upon a finding that the State has materially failed to comply with this section) by the Secretary.

SEC. 808. STUDY OF HOUSING PROBLEMS OF FSP FAMILIES.

(a) **INTERAGENCY WORKING GROUP.**—The Secretary of Health and Human Services and the Secretary of Housing and Urban Development, acting jointly, shall establish, appoint, and convene an Interagency Working Group to study and report on the housing problems of families under the family support program.

(b) **PURPOSE OF STUDY.**—It shall be the purpose of the study conducted by the Interagency Working Group to identify and examine the programs being implemented by the Department of Health and Human Services and the Department of Housing and Urban Development which could be better coordinated so as to—

- (1) stem the transiency of the welfare population;
- (2) upgrade the public and private housing stock occupied by recipients of family support supplements;
- (3) require private housing stock for which rentals are paid from family support supplements to meet minimum HUD standards; and
- (4) facilitate coordination between the two Departments as well as local welfare agencies and local housing authorities to facilitate the achievement of these objectives.

(c) **REPORT.**—(1) Within 6 months after the date of the enactment of this Act the Interagency Working Group shall submit to the Congress a full and complete report on its study under this section. Such report shall include the information and data required by paragraph (2) and such other information, and such recommendations for legislative, administrative, and other action, as the Interagency Working Group considers appropriate.

(2) The report submitted under paragraph (1) shall in any event include—

- (A) the total dollar amount of family support supplements spent on housing, by service area;
- (B) the demographic characteristics of transient recipients of family support supplements;
- (C) an estimate of the number of transient welfare families and the frequency of their transiency;
- (D) an estimate of the number of evictions for nonpayment of rent, by service area;
- (E) an examination, by service area, of those properties which are occupied by recipients of family support supplements and which do not meet minimum HUD standards;
- (F) examples of models and innovative programs which have successfully forged local housing and welfare cooperation to upgrade housing stock and stem welfare population transiency; and
- (G) recommendations on ways in which local housing and welfare agencies can economically provide tenant unit management training.

SEC. 809. REQUIREMENT OF CONTINUED TREATMENT FOR DRUG ADDICTION OR ALCOHOLISM AS CONDITION OF ELIGIBILITY.

Section 402 of the Social Security Act (as amended by the preceding provisions of this Act) is further amended by adding at the end thereof the following new subsection:

“(j)(1) If—

“(A) any individual who is a recipient of family support supplements under the State plan has been medically determined to be a drug addict or an alcoholic and is enrolled in a program for the treatment of his or her drug addiction or alcoholism, and

“(B) the institution, facility, or other entity responsible for providing such treatment notifies the State agency that such individual (prior to the satisfactory completion of the treatment) has terminated his or her enrollment or otherwise ceased to participate in such program or to comply with its terms, conditions, and requirements,

then (notwithstanding any other provision of this title) the needs of such individual shall not be taken into account in making the determination with respect to his or her family under subsection (a)(7) until such individual is again enrolled in such a program or a medical determination is made (and notification thereof communicated to the State agency) that he or she is no longer a drug addict or alcoholic.

"(2) Each State agency shall establish such procedures and take such other actions as may be necessary or appropriate to encourage and facilitate the making (by the institutions, facilities, and other entities involved) of the notifications described in paragraph (1)."

SEC. 810. INCLUSION OF AMERICAN SAMOA IN FSP PROGRAM.

(a) **INCLUSION IN PROGRAM.**—Section 1101(a)(1) of the Social Security Act is amended by inserting after the first sentence the following new sentence: "Such term when used in part A of title IV also includes American Samoa."

(b) **LIMITATION ON PAYMENTS.**—Section 1108(a) of such Act is amended—

(1) by striking out the period at the end of paragraph (3)(F) and inserting in lieu thereof "; and"; and

(2) by inserting immediately after paragraph (3) the following new paragraph: "(4) for payment to American Samoa shall not exceed \$1,000,000 with respect to any fiscal year."

(c) **EFFECTIVE DATE.**—The amendments made by this section shall become effective on October 1, 1987.

SEC. 811. INCREASE IN LIMITATION ON PAYMENTS TO PUERTO RICO, THE VIRGIN ISLANDS, AND GUAM.

(a) **IN GENERAL.**—(1) Section 1108(a)(1) of the Social Security Act is amended—

(A) by striking out "or" after the comma at the end of subparagraph (E); and

(B) by striking out subparagraph (F) and inserting in lieu thereof the following new subparagraphs:

"(F) \$72,000,000 with respect to each of the fiscal years 1979 through 1987, or

"(G) \$81,270,000 with respect to the fiscal year 1988 and each fiscal year thereafter;"

(2) Section 1108(a)(2) of such Act is amended—

(A) by striking out "or" after the comma at the end of subparagraph (E); and

(B) by striking out subparagraph (F) and inserting in lieu thereof the following new subparagraphs:

"(F) \$2,400,000 with respect to each of the fiscal years 1979 through 1987, or

"(G) \$2,709,000 with respect to the fiscal year 1988 and each fiscal year thereafter;"

(3) Section 1108(a)(3) of such Act (as amended by section 810 of this Act) is further amended—

(A) by striking out "or" after the comma at the end of subparagraph (E); and

(B) by striking out subparagraph (F) and inserting in lieu thereof the following new subparagraphs:

"(F) \$3,300,000 with respect to each of the fiscal years 1979 through 1987, or

"(G) \$3,725,000 with respect to the fiscal year 1988 and each fiscal year thereafter;"

(b) **EFFECTIVE DATE.**—The amendments made by this section shall apply with respect to fiscal years beginning on or after October 1, 1987.

SEC. 812. TECHNICAL AND CONFORMING AMENDMENTS RELATING TO REPLACEMENT OF AFDC PROGRAM BY FAMILY SUPPORT PROGRAM.

(a) **AMENDMENTS TO PART A OF TITLE IV.**—(1) The heading of part A of title IV of such Act is amended by striking out "AID TO FAMILIES WITH DEPENDENT CHILDREN" and inserting in lieu thereof "FAMILY SUPPORT PROGRAM".

(2) Section 406(b) of such Act is amended by striking out "aid to families with dependent children" where it first appears and inserting in lieu thereof "family support supplements".

(3) The following provisions of part A of title IV of such Act are each amended by striking out "aid to families with dependent children" wherever it appears and inserting in lieu thereof "aid in the form of family support supplements": Paragraphs (4), (7), (10), (11), (14), (17), and (21) of section 402(a); subsections (a), (b), and (f) of section 403; section 405; subsections (b) (the second place it appears), (f), (g), and (h) of section 406; and subsections (b) and (c) of section 407.

(b) AMENDMENTS TO OTHER PROVISIONS OF THE SOCIAL SECURITY ACT.—(1) The following provisions of the Social Security Act are amended by striking out “aid to families with dependent children” wherever it appears and inserting in lieu thereof “aid in the form of family support supplements”: Section 452(a)(10); section 454(4); section 457(d)(3); section 472(h); and section 473(b).

(2) Section 454(16) of such Act is amended by striking out “aid to families with dependent children program” and inserting in lieu thereof “Family Support Program”.

(3) Subsections (b) and (c) of section 458 of such Act are each amended by striking out “AFDC” and “non-AFDC” wherever those terms appear and inserting in lieu thereof “FSP” and “non-FSP”, respectively.

(c) OTHER REFERENCES IN GENERAL.—Any reference to aid to families with dependent children in any provision of law or regulation other than those provisions of law specified in the preceding subsections of this section shall be deemed to be a reference to family support supplements, or to aid in the form of family support supplements, consistent with the amendments made by the preceding provisions of this Act.

I. INTRODUCTION

A. PURPOSE AND SCOPE

The Family Welfare Reform Act of 1987, H.R. 1720, makes significant changes in the nation's basic welfare program, Aid to Families with Dependent Children (AFDC). The legislation is designed to promote family stability, self-support through work, the payment of child support, and improvements in need-based cash support for families.

President Reagan, in his State of the Union Message on January 27, 1987, called on the Congress to enact welfare reform. The President's welfare reform program includes a new work, education and training program for welfare recipients and large scale demonstration projects to test State and local welfare reform ideas.

Reducing welfare dependency by creating significant work, education and training opportunities for AFDC recipients is the cornerstone of H.R. 1720. The National Education, Training and Work program, or NETWork, is devoted exclusively to helping AFDC families become self-supporting. It targets Federal resources on the families who are most in need of assistance—those who can be expected to become long-term welfare dependent.

NETWork is an individualized program, tailored to the family's needs and the State's resources. It will offer the chance to return to school for welfare recipients who are without a high school education. Training, job search and other work activities are also an integral part of the NETWork program. States could continue “workfare” programs so long as training is provided also and long-term workfare assignments are avoided. This is because NETWork's first priority is to prepare welfare recipients for real jobs in their communities. The program is directed not only to the adults in the family, but also to the children, so that any cycle of welfare dependency can be broken.

The emphasis in this program is on independence and mutual obligation. The respective obligations of the recipient and the welfare department are spelled out in a mutually negotiated agreement and carried out through a case management system designed to assure that the services are provided and barriers to employment are removed.

To ease the transition to work, H.R. 1720 creates modest financial incentives so that families who work are better off than those that do not. Day care subsidies and Medicaid would also be available for families who go to work and earn their way off AFDC. These are the "tickets to success" and independence for welfare families which assure that parents won't be asked to put their children's health or safety in jeopardy if they go to work.

Helping families to support themselves often requires child support enforcement. H.R. 1720 is designed to improve efforts to establish paternity of children, assure that child support orders are fairly set and regularly updated, and give States incentives to use effective enforcement techniques.

Our welfare system must also become pro-family. If we want families to stay together and support themselves, as the President suggests, then we can't deny them AFDC when they face tough times. H.R. 1720 mandates AFDC for unemployed two-parent families. It also creates incentives to improve AFDC benefits, a step that is needed to reduce the decline in real benefits that has occurred since 1970.

Finally, in response to President Reagan's request, H.R. 1720 includes a series of carefully targeted demonstration projects designed to test, on a limited basis, innovative approaches to encouraging work, reducing welfare dependency, streamlining administration, and improving the quality of life of AFDC families. A total of 10 demonstration projects would be authorized.

H.R. 1720 does not solve all of the problems of the current welfare system. It does, however, lay the foundation for systematic change by making an investment in America's poor families. Although that investment will cost money now, it can be expected to save money in the long run as it creates a future of hope and economic independence for many of America's poor children.

B. BACKGROUND AND NEED FOR LEGISLATION

It has been said that "A decent provision for the poor is the test of civilization." The American people have been tested continuously by the specter of poverty. For some groups, such as the elderly, we have received passing grades. For other groups, such as children in poor families, we are on the brink of failure. In the past 20 years, we have seen an alarming increase in the rate of child poverty, an erosion of parental responsibility and initiative, and persistent welfare dependence among a small but troubling segment of the population.

RISE IN CHILD POVERTY

Children displaced the elderly as the poorest group of American citizens in 1974. Since that time, child poverty has grown deeper and more widespread. Today, 20 percent of all American children are poor. Half of these children live in female-headed families. Poverty is also a function of race. Almost half of all Black children and more than one-third of all Hispanic children are poor.

Without a working parent, a child is almost sure to be poor. But having a working parent is not guarantee against poverty. Many

children need two earners or cash supplements to one earner's full time wages if they are to escape poverty.

Whether poverty is measured before or after government transfer payments and whether the income counted includes or excludes non-cash benefits and money paid as taxes, child poverty rates rose especially sharply from 1979 to 1983. Although the official count of the poor disregards non-cash benefits, which account for most welfare spending, counting these items does not reverse the trend. If food stamps, school meals, subsidized housing, Medicaid and Medicare are treated as income, the poverty rate is lower, but the steady increase in poverty which began in 1979 continued until 1983.

EROSION OF BENEFITS

A significant contributor to the rise in child poverty has been the steady decline in the value of welfare benefits. The main cash assistance program for poor children is the Aid to Families with Dependent Children (AFDC) program. Yet only 7 million of the nation's 12 million poor children receive AFDC benefits and average AFDC benefits have declined, in real terms, by 33 percent since 1970.

Most AFDC recipients also receive food stamps and while the value of food stamps has increased in recent years to reflect inflation in food prices, the combined value of AFDC and food stamps has declined by 18 percent since 1970. AFDC families also receive Medicaid. Like food stamps, Medicaid expenditures have increased since 1970, a reflection of increased health prices. But the purchasing power of Medicaid benefits has not increased. Not all AFDC families receive other in-kind benefits nor do in-kind benefits always contribute to disposable income. Clearly, the safety net on which these children must rely is tattered.

The need to address child poverty and stem the decrease in benefits transcends humanitarian concern. As our nation ages, the need for skilled workers increases. Today's children, including those that are poor, are tomorrow's workforce. Yet their numbers are declining. In 1995, there will be 4 million fewer youth 16 to 24 years old available for work. This is a 16 percent drop from 1986. We can't afford to let them grow up in poverty, without an adequate education and lacking job skills.

WELFARE DEPENDENCY

The welfare system works remarkably well for most families who rely on it as a short-term source of support during hard times. Between 1970 and 1979, for example, less than one percent of all Americans were long-term (8-10 years) welfare dependent.

Nearly half (45 percent) of the families on AFDC turned to the program after a divorce or separation. Thirty percent resorted to AFDC as an unmarried single parent. Only 12 percent of AFDC families became eligible when the mother's earnings fell, indicating that for most families, earnings were not a significant source of support. Just as divorce is the most common way on the AFDC, marriage is the most common way out. Thirty-five percent of

AFDC families leave AFDC because of a marriage, only 21 percent do so because of increased earnings.

For some families, however, the welfare system has become a dead-end, offering little hope and almost no opportunity. While nearly half of those families who today begin to receive AFDC for the first time will leave the program within two years, the remainder of these families will rely on AFDC for three or more years. A troubling 17 percent will be on AFDC for 8 or more years. Long-term AFDC recipients account for the bulk of AFDC expenditures.

Teenage parent families present special problems. Roughly one-quarter of all teenage mothers rely on AFDC during the year following the birth of their first child. Families with a teen parent are at great risk of becoming long-term dependent. Many of these parent do not complete high school, suffer low self-esteem, and lack the job skills and experience needed to support their families on their own. Little is done today to help them avoid this prospect.

LACK OF CHILD SUPPORT

Child support is one potential source of support for AFDC families, yet the track record on support payments by non-custodial parents is poor. In 1983, of the 8.7 million women who had children present under the age of 21 from an absent father, 42 percent never were awarded child support rights (nor had an agreement to receive child support payments) and, thus, were dependent for income on sources other than the father. For poor mothers, the proportion without child support awards was even higher, 58 percent.

Even those women awarded child support are not guaranteed of receiving payment. In 1983, only one-half of the 4 million women owed child support payments received the full amount, about 26 percent of the women received less than they were owed and 24 percent received no payment at all.

The Child Support Enforcement Amendments of 1984 have contributed to improving this situation but more remains to be done. Paternity establishments—the first step in the child support enforcement process—must be increased and more effective techniques must be found for establishing and enforcing support orders. Inequities exist within States and especially between States that make it difficult to establish and enforce support obligations.

BARRIERS TO SELF-SUFFICIENCY

The most important way to decrease welfare dependence is to help families increase work effort. Many studies of welfare families have indicated that these parents want to work and when given the opportunity, will choose work over welfare. Instead of encouraging work by parents on AFDC, however, the current system discourages it. Parents who go to work often watch their income decline rather than increase.

Some argue that this is because welfare benefits are too high. Given that combined AFDC and food stamp benefits today on average equal only 74 percent of the poverty level, and have declined in recent years, excessive welfare benefits are hardly the problem. The problem is the lack of real work incentives.

The current lack of financial work incentives is in part the result of the enactment of the Reagan Administration proposals in the Omnibus Budget Reconciliation Act of 1981. This Act repealed the continuing availability of the so-called "\$30 and one-third" earned income disregard, which allowed AFDC mothers to work at low-wage jobs without losing their AFDC benefits dollar-for-dollar with additional earnings. The result is a nearly 100 percent "tax" on earnings of poor families. This is more than three times higher than the tax rate applied to wealthy individuals under the tax code.

Without reasonable earned income disregards, it is hard for an AFDC mother with two children—the average family on AFDC—to improve her family's standard of living by working at a minimum wage job. AFDC benefits are competitive with minimum wage jobs not because AFDC benefits are too high, but because the wages these parents can earn—less expenses and taxes—are too low to support the family.

For example, in 1976, the minimum wage of \$2.10 per hour would have supported a family of three at a little above the poverty level. Today, the minimum wage of \$3.35 per hour would provide a gross income equal to only 80 percent of the poverty level.

Creating financial incentives—through earned income disregards or otherwise—only increases welfare dependence, if you assume that whenever AFDC benefits are received, even as a supplement to wages, the family is "welfare dependent." Taken to the extreme, this means that a family receiving \$10 per month from AFDC is welfare dependent even though that family is earning several hundred dollars each month. These families are not welfare dependent. It makes sense for AFDC to provide a supplement when their earnings are insufficient to support the family.

It is important to encourage parents of young children to participate in work, education, and training activities so that they may avoid long-term welfare dependence. The care and nurturing of their young children is even more important, however. Arbitrary work requirements for these parents may be counterproductive for the children. A better approach is to encourage voluntary participation by parents with very young children. A parent who is motivated to participate and confident about her child care arrangements will make a better student, a better trainee, and ultimately a better employee.

Most American mothers with children under three who work have a husband to help in the care and nurturance of the children and can afford adequate day care. Unfortunately, single mothers on AFDC cannot rely on someone else to help them care for their children. As a consequence, only about one-third of all never-married mothers with young children (under 6) work. For them to do so, day care and other support services are necessary.

Studies have shown that the potential loss of health benefits for the children often discourages AFDC parents from working and that the staggering cost of child care deters many parents who are otherwise eager to return to the workforce. True welfare reform will eliminate the barriers to work by creating work incentives and easing the transition from welfare to work by providing the support services these families need.

Critics of this legislation have suggested that it will make welfare more attractive than work. They are wrong. H.R. 1720 establishes tougher work requirements than under current law and couples these requirements with meaningful education and training opportunities. The goal, as the President has so well stated, is reducing welfare dependence. H.R. 1720 will accomplish this through the mandatory NETWork program, by restoring financial incentives and offering the transition services that families need in order to go to work, and through better child support enforcement. What this bill also does, however, is make good on our commitment to poor children. It recognizes that poverty among children is a national problem and lays the foundation for steadily improving the quality of their lives. To do otherwise would be to sell short our own future.

C. SUMMARY

H.R. 1720 would replace the Aid to Families with Dependent Children (AFDC) program with a new Family Support program which encourages the family to be its own source of support through work, payment of child support, and when necessary, need-based family support supplements.

A. TITLE I.—NATIONAL EDUCATION, TRAINING AND WORK (NETWORK) PROGRAM

1. *State Plan Requirement.*—As a condition for receiving Title IV-A funds, States would be required to establish a National Education, Training, and Work (NETWork) program.

2. *Establishment and State Operation.*—State IV-A agencies would be required to submit a plan, subject to the approval of the Secretary, which would make the program available in each political subdivision of the State where it is feasible. Involvement of the private sector and local governments would be required in planning and program design to assure that participants are trained for jobs that will actually be available in the community. Federal funds available under NETWork would augment existing services and could not replace State or local funds.

3. *Participation Requirements.*—All adult recipients who are not working full-time would be informed of the education, training, and work activities offered under the program. Non-exempt recipients would be required to participate as resources permit.

4. *Coordination with Existing Recipient Activities.*—If an adult caretaker or dependent child is already attending school or training designed to lead to employment, such attendance would be regarded as satisfactory participation in the NETWork program. The costs of such school or training would not be paid by the NETWork program, however, support services would be provided as long as the activities are enumerated in the family support plan.

5. *Target Populations.*—Although States would be permitted to require participation by any non-exempt recipient, States would be required to first extend the opportunity to participate to certain target populations including; (a) families with teenage parents, and families with parents who were under age 18 when their first child was born; (b) families who have been receiving benefits continuous-

ly for two or more years; and (c) families with children under six (6) years of age.

6. *Service Priorities.*—State programs would be required to serve volunteers in the target populations first, followed by mandatory participants in the target populations. Mandatory participants with older children would be the third priority for service followed by all other volunteers and all other mandatory participants. These priorities would not apply to States that certify that they will serve all mandatory participants and volunteers within three years after the effective date of NETWork in the State.

7. *Exemptions.*—Certain individuals would be exempt from participation. These include: a person who is ill, incapacitated or age 60 or more; a person needed in the home because of the illness or incapacity of another family member; a child under the age of 16; a person working at least 20 hours per week; a pregnant woman; and a person who resides in an area of the State where the NETWork program is not offered.

In addition, the parent or other relative of a child under the age of three (3) would be exempt. Participation by parents of children between the ages of 3 and 6 would be part-time. Parents of children under the age of three (3) but over the age of one (1) could be required to participate with the approval of the Secretary of Health and Human Services if the State demonstrates that appropriate infant care can be guaranteed within the dollar limitations of the Act and participation is part-time.

8. *Orientation.*—States would be required to provide eligible applicants and recipients of Title IV-A benefits with orientation to NETWork, including a description of day care services that will be available during NETWork participation as well as information about the transitional day care and Medicaid services that will be offered.

9. *Assessment Activities.*—An assessment would be made of the educational needs, skills, and employability of any person who will actually participate in the NETWork program. On the basis of the assessment, a family support plan would be developed by the State agency and the recipient. The family support plan would detail the length of participation and the activities to be undertaken by family members and the State agency and would become the basis for an agency client agreement to be signed by the State and the recipient. Each participating family would be assigned an agency staff person to provide case management services.

10. *Agency-Client Agreement and Case Management.*—The State agency and the client would be required to negotiate an agreement detailing all of the responsibilities of both parties under the NETWork program. Notice of the opportunity for a fair hearing would be required to be given to the participant by the State agency in the event of a dispute involving the signing of the agreement or the nature or extent of participation. States would be required to provide case management services to each NETWork participant, including monitoring and reviewing client progress and renegotiating if necessary. Agreements between States and clients would not create a cause of action against the Federal government if the terms are not observed by any party.

11. *Sanctions*.—Mandatory participants who fail to cooperate during the course of the program would be sanctioned. In the case of a single parent family, the non-cooperating individual would be removed from the grant. In the case of a two-parent family, one or both parents could be removed from the grant for failure to cooperate. Regardless of family composition, benefits to the children would continue.

12. *Range of Activities*.—Each State would be required to offer participants without a high school diploma the opportunity to participate in an education program. In addition, each State would be required to offer: remedial education, English as a Second Language instruction, and specialized advanced education as appropriate; group and individual job search; skills training; job readiness activities; as well as counseling and information and referral for those experiencing personal and family problems which prevent work.

States would be further required to offer two of three remaining activities: short and long term on-the-job training; work supplementation (grant diversion); a community work experience program and other education and training activities.

13. *Activities for Children*.—States would be required to provide additional services to the children not otherwise in participating families designed to help them stay in school and complete a high school education as well as to obtain a marketable job skill. In addition, States would be required to coordinate NETWork with early childhood education programs in the State.

14. *Work Supplementation Program*.—States would be able to establish work supplementation programs in which the AFDC benefit is used to subsidize a job. Along with certain technical and conforming amendments, States would be required to extend Medicaid for work supplementation participants.

15. *Community Work Experience Program (CWEP)*.—The current authority for "workfare" programs would be modified to limit the length of participation to six (6) months, require that CWEP be combined with training, prohibit reassignment to CWEP and prohibit recipients from being required to work off any child support collected by the State on their behalf. In addition, States would be permitted to operate a three-month work experience program in which the hours of participation in training and work could not exceed 30 hours per month.

16. *Placement Services*.—Each State program would include job development and job placement services necessary to assist participants in securing and retaining employment.

17. *Wage Rates, Working Conditions and Displacement Prohibitions*.—Wage rates for jobs to which participants are assigned would be not less than the current pay scale for that job. In the absence of a current pay scale for the job of that particular employer, wages would be at least equal to the minimum wage under applicable Federal or State law.

Further, participants could not be assigned to employers who have terminated employment or laid off employees with the intention of filling the vacancies with NETWork participants. NETWork participants could not be assigned to jobs that infringe on promo-

tional opportunities of current employees and CWEP participants could not fill established unfilled vacancies.

18. *Regulations.*—The Secretary would be required to publish proposed regulations within 6 months after the date of enactment and final regulations within 9 months after the date of enactment. The Secretary would be required also to consult with the States in developing the regulations.

19. *Performance Standards.*—The Department of Health and Human Services, in consultation with the Department of Labor and others, would be required to develop performance standards for the program within one year after enactment.

20. *Program Administration and Financing.*—The NETWork program would be operated by the State welfare agency and would be authorized under Title IV-A of the Social Security Act. In carrying out the purposes of the program, States could contract with public or private agencies and organizations to provide any of the required services. Federal reimbursement of NETWork program costs would equal 65 percent; the State share would equal 35 percent. The Federal match could be altered in future years based on performance. In addition, the Federal government would pay 50 percent of the costs of basic AFDC and NETWork administration.

21. *Coordination.*—Program activities under NETWork would be coordinated by the States with programs operated under the Job Training Partnership Act and any other relevant employment, education or training program available in the State. In addition, the State's NETWork plan would be submitted to the State Job Training Coordinating Council for review and comment 90 days before submission to the Department of Health and Human Services.

22. *Evaluation, Research, and Technical Assistance.*—The Secretary would be required to evaluate activities under NETWork. Research would be required to examine: the effectiveness of giving priority to volunteers; appropriate strategies for assisting two-parent families; the wage rates of individuals placed in jobs; the approaches that are most effective in meeting the needs of specific groups and types of participants; and the effect of targeting on families that include children below the age of six. Also, the Secretary would be required to provide technical assistance to States, localities, schools, and employers who participate in the program and who need such assistance.

23. *Reporting Requirements.*—The Secretary would be required to establish uniform reporting requirements. At a minimum, this must include: average monthly number of families assisted, types of families, amounts spent per family, and length of participation. This information would be required to be reported for each of the services provided under NETWork.

24. *Demonstration Projects.*—General work, education, and training demonstration authority under section 1115 of the Social Security Act would be authorized. Four other demonstrations also would be authorized: (1) demonstration projects targeted at Title IV-A children would test financial incentives, and interdisciplinary approaches to reducing school dropouts, encouraging skill development, and avoiding welfare dependence; (2) 5 State demonstration projects would encourage States to employ AFDC/FSP mothers as paid day care providers; (3) five State/local demonstration projects

would test the elimination of the "100 hour rule"; and (4) ten State demonstrations would test volunteer-based early childhood development programs.

25. *Effective Date.*—The NETWork program would take effect on October 1, 1989. States could elect to participate in NETWork at any time after proposed regulations have been issued.

B. TITLE II.—DAY CARE, TRANSPORTATION AND WORK-RELATED EXPENSES

1. *Day Care Expenses of AFDC/FSP Recipients.*—Reimbursement of day care expenses would be authorized under Title IV-A of the Social Security Act and would be available to recipients in school, training or work. States would be given flexibility to determine the delivery mechanism and could provide day care services by contract, certificate or disregard of actual expenses. States electing the disregard approach would be required to deduct care last after other disregards have been applied. Whenever possible, day care services would be available prospectively to recipients who are about to begin work, training or school.

2. *NETWork Participant Expenses.*—States would be required to pay up to \$100 per month for transportation and other work-related expenses of NETWork participants. If the participant must travel 100 miles or more to the NETWork assignment, reimbursement could be as much as \$200 per month.

3. *Day Care Transition.*—Under Title IV-A of the Social Security Act, a new day care transition subsidy would be created. This subsidy would be available to working families for six months after leaving AFDC/FSP. The subsidy would be based on need, according to a sliding scale that considers the family's ability to pay.

4. *Financing.*—Federal reimbursement of the day care costs for AFDC/FSP recipients and for transition day care subsidies would be limited to actual costs up to \$175 per month per child age two (2) and older and \$200 per month per child under the age of two (2). The Federal share would be determined using the AFDC/FSP benefit matching formula. States could supplement these amounts with State dollars.

5. *Minimum Health and Safety.*—Funds expended for child care services to individuals caring for more than two children at one time would be required to meet standards set by the state which, at a minimum, ensure basic protections for health and safety. In addition, day care provided must meet applicable standards of State and local law.

6. *Limitations on Treatment of Day Care Expenses.*—The value of any day care provided or reimbursed would not be treated as income for any Federal needs-based program and could not be claimed as an employment-related expense for purposes of the dependent care credit.

7. *Evaluation of Child Care Resources.*—States would be required to assess regularly the availability and reliability of child care services and to develop new child care resources as needed. States also would be required to coordinate with other child care resources in the State.

8. *Demonstration Projects to Test Use of the Food Stamp Licensed Vehicle Rules.*—A five-State, five-year test of applying the Food Stamp program licensed vehicle value limits would be authorized. At least one rural and one urban State must be selected.

9. *Effective Date.* The day care policy would take effect on October 1, 1987.

C. TITLE III.—REWARDS FOR WORK

1. *Work Incentives.*—To further encourage work, the current earned income disregards would be replaced. For recipients, the first \$100 of earnings plus 25 percent of remaining earnings would be disregarded. The disregards would not be time-limited and the \$100 deduction would be adjusted for inflation annually. The current State option to disregard Job Training Partnership Act income would be retained and would apply to minor parents as well as dependent children.

2. *Treatment of Earned Income Tax Credit.*—The earned income tax credit would be disregarded for AFDC/FSP purposes.

3. *Effective Date.*—The provisions of this Title would take effect on October 1, 1988.

D. TITLE IV.—TRANSITION HEALTH CARE

1. *Medicaid Extension.*—Medicaid eligibility would be extended for six months to working families who leave AFDC/FSP. When families leave AFDC/FSP with private health insurance, Medicaid is the last payer.

2. *Effective Date.*—The effective date for the Medicaid transition policy is October 1, 1988.

E. TITLE V.—CHILD SUPPORT IMPROVEMENTS

1. *Uniform Guidelines.*—States would be required to use uniform guidelines as a rebuttable presumption in setting child support awards. The guidelines would have to be reviewed every three years and modified to reflect changes in the cost of living. States also would be required to provide for the periodic review of child support award amounts to assure that the order remains in full compliance with the guidelines. Updating would have to occur at least every two years. Notice would be given to both parents.

2. *Paternity Establishment.*—In FY 1989, States would be required to establish 50 percent more paternities under Title IV-D of the Social Security Act than were established in FY 1986. In each subsequent year, paternity establishments are to increase by 15 percent. States would be required to use blood tests and a 95 percent probability index from blood tests as a rebuttable presumption of paternity and would be encouraged to establish a simple voluntary civil procedure for admitting paternity and a civil procedure for establishing paternity in contested cases.

States would be permitted, for purposes of computing the cost effectiveness ratios, to impute \$100 per month for 12 months in all cases in which they have established paternity. The bill also clarifies the authority to establish paternity until a child reaches 18 years of age, which was included in the Child Support Enforcement Amendments of 1984.

3. *Visitation Demonstrations.*—Demonstration projects would be authorized to determine the magnitude of the visitation and custody problem and to test solutions. Demonstration projects could not allow the child support payment to be withheld pending visitation.

4. *Performance Standards.*—The Department of Health and Human Services would be required to establish limits governing how much time may elapse between application and the onset of legal action with respect to requests to establish paternity, locate a missing parent, establish an order, or enforce an order. Also, the Department would be required to collect data on the number of requests for the various child support enforcement services.

5. *Automatic Tracking and Monitoring.*—By October 1, 1992, States would be required to have an operational automated data processing system. The 90 percent Federal match for these purposes would be eliminated on that date.

6. *Automatic Wage Withholding and Compliance with the 1984 Amendments.*—Six months after the date of enactment, the Federal child support matching rate would be reduced to 66 percent for States that are not in compliance with the Child Support Enforcement Amendments of 1984. This penalty is in addition to penalties in current law. For States that have enacted and use an automatic wage withholding system and are in compliance with the 1984 amendments, the Federal matching rate would be permanently set at 70 percent.

7. *Child Support Disregard Clarification.*—Clarifies that States are required to pay to the family \$50 of child support payments whenever the absent parent makes a timely payment. This policy applies to all families applying for or receiving AFDCFS.

8. *Treatment of Interstate Funds.*—The costs of interstate enforcement demonstrations would not be included in computing State incentive payments.

9. *Work and Training Demonstration Projects.*—Demonstration projects would be authorized to test whether noncustodial parents who cannot pay child support can be encouraged to participate in work, education and training programs.

10. *Interstate Commission and Study of the Costs of Raising Children.*—An interstate commission would be established to examine the problems of interstate child support establishment and enforcement and to develop a new model interstate law. In addition, a study would be conducted on the costs of raising children including the patterns of expenditures on children in two-parent families, in single parent families following divorce and in single parent families in which parents were never married.

11. *Access to INTERNET System.*—The Federal Parent Locator Service (FPLS) and the State child support agencies would be given access to the INTERNET system funded by the Department of Labor. The system contains information on place of employment, social security number, and addresses of employees that is currently used in the unemployment compensation system.

12. *Effective Date.* In general, the provisions of this title would be effective on October 1, 1988.

F. TITLE VI.—PRO-FAMILY WELFARE POLICIES

1. *AFDC-UP*.—Beginning on January 1, 1990, all States would be required to implement the AFDC-Unemployed Parent program. Under this program, two-parent families in which the principal earner is unemployed may qualify for AFDC/FSP benefits.

2. *Special Provisions for Minor Parents*.—States would be required to provide case management services for minor parent families. Minor parents generally would be required to live at home with their parent(s) or in other supportive living arrangements in order to qualify for AFDC/FSP. For those living at home, the current rule, which requires States to consider the income and circumstances of the parent of a minor child when determining eligibility [if the minor is living with her parent(s)], would be repealed.

States would be permitted to require school attendance by the minor parent and require that the minor parent participate in training in parenting and family living skills, including nutrition and health education if day care is guaranteed and participation is part-time.

G. TITLE VII.—BENEFIT IMPROVEMENTS

1. *Annual Evaluation*. Each State would be required to re-evaluate its AFDC/FSP need and payment standards annually and report the results of this evaluation to the Secretary of Health and Human Services and the public.

2. *Enhanced Federal Match*.—Beginning on October 1, 1988, States would receive a higher Federal match for AFDC/FSP benefit increases. To accomplish this, the Federal match would be increased by 25 percent for any AFDC/FSP benefit increases. States would be prohibited from lowering benefits below the current nominal level. A study of the implementation and effect of this provision would be required 3 and 5 years after enactment.

3. *Minimum Benefit Study*.—The National Academy of Sciences would study alternative minimum benefit proposals, including a family living standard, weighted national median income, State median income and the poverty level.

H. TITLE VIII.—MISCELLANEOUS PROVISIONS

1. *AFDC-Food Stamp Coordination*.—A commission would be established to study and make recommendations on AFDC-food stamp coordination.

2. *Uniform Reporting Requirements*.—Standard reporting requirements would be established for this Act and for the social services block grant authorized under Title XX of the Social Security Act.

3. *New York State Demonstration*.—The Secretary of Health and Human Services would be authorized to permit the State of New York to test a child support demonstration program as an alternative to the existing public assistance system.

4. *Homeless Families*.—Demonstration projects would be authorized to test whether emergency assistance payments to homeless families can be reduced through the construction or renovation of permanent housing.

5. *Washington State Demonstration.*—The Secretary of Health and Human Services would be authorized to grant waivers for the State of Washington to carry out its Family Independence Program.

6. *Interagency Panel.*—An interagency panel to evaluate employment and training activities and demonstrations would be established under the Secretary. Panel representatives would be from the General Accounting Office, Congressional Research Service, Congressional Budget Office, and the Office of Management and Budget.

7. *American Samoa.*—The AFDC program would be extended to American Samoa to the same extent and under the same conditions that AFDC is available to the territories and the Commonwealth of Puerto Rico. Funds would be limited to \$1 million per year.

8. *Increased Funds for the Territories.*—The ceiling on funds to the Commonwealth of Puerto Rico, Guam and the Virgin Islands would be permanently increased by \$10 million. The funds would be distributed as follows: Commonwealth of Puerto Rico, \$9.27 million; Guam, \$425,000; and Virgin Islands, \$309,000. In addition, a study would be conducted to identify ways to correct the obvious imbalances that exist among the territories, and between the territories and the States.

9. *Study of Housing Problems.*—An interagency working group staffed by the Department of Health and Human Services and the Department of Housing and Urban Development would report to Congress the results of a study of housing problems experienced by AFDC recipients, particularly transient families. Data on the number of evictions, the available housing stock and successful innovative programs would be included. The study would be due within six (6) months after the date of enactment and would include recommendations for action.

10. *Sanction for Failure to Complete Treatment for Drug or Alcohol Abuse.*—Upon notice from a treatment program, benefits for any AFDC/FSP recipient who refuses to participate in, and complete, a drug or alcohol abuse treatment program would be terminated.

II. EXPLANATION OF PROVISIONS

SECTION 1.—SHORT TITLE AND TABLE OF CONTENTS

Present Law

No provision.

Explanation of Provision

Section 1 establishes the short title of H.R. 1720 to be the "Family Welfare Reform Act of 1987" and provides a table of contents for the bill.

SECTION 2.—AFDC REPLACED BY FAMILY SUPPORT PROGRAM

Present Law

Title IV-A of the Social Security Act provides for payment of Aid to Families with Dependent Children (AFDC) in accordance with approved State plans.

Explanation of Provision

The bill would replace AFDC with a new Family Support Program as described in the following sections. The requirement for an approved State plan would be retained.

A. TITLE I.—NATIONAL EDUCATION, TRAINING AND WORK (NETWORK) PROGRAM

Under present law, authority for AFDC work activities is included in two titles of the Social Security Act: Title IV-A, which authorizes the Aid to Families with Dependent Children (AFDC) program and Title IV-C, which authorizes the Work Incentive (WIN) program. Title IV-A identifies the AFDC recipients who are required to register for WIN and includes authority for several work and training activities, including job search, work supplementation, and community work experience programs. Title IV-C authorizes the WIN program, which can provide assessment, training, employment and other employment-related activities, including job search for AFDC recipients. In FY 87, WIN funding totals \$110 million and is scheduled to expire on June 30, 1987; the House supplemental appropriations bill includes additional WIN funds for the remainder of FY 87.

H.R. 1720 does not make substantive amendments to Title IV-C. It does, however, sever the connection between AFDC and WIN and proposes a new work, education and training program for eligible AFDC applicants and recipients within Title IV-A of the Social Security Act. A detailed description of this new program follows.

1. *State Plan Requirement* (Sec. 101(a) of the bill).

Present Law

No Title IV-A requirement.

Explanation of Provision

The bill would require each State, as a condition of receiving Title IV-A funds, to establish an education, training and work program.

2. *Establishment and Operation of State Programs* (Sec. 101(b) of the bill).

Present Law

No title IV-A requirement.

Explanation of Provision

The bill would require each State Title IV-A agency to submit a plan, subject to the approval of the Secretary, providing that the NETWork program be available in each political subdivision of the State where it is feasible.

The NETWork program would be administered by the Title IV-A agency. Federal funds available under the NETWork program would augment and expand existing services and could not replace or supplant State or local funds.

Private sector and local government participation would be required in planning and program design. In addition to assuring coordination and consultation, this requirement is intended to assure that the State program is responsive to the needs of the local communities, that participants are trained for jobs that will actually be available in the community, and that, when appropriate, the capacity of local governments to deliver the services be considered and accommodated in planning the program.

The Committee recognizes that the basic AFDC/FSP program is not locally administered in many States. However, the need for private sector and local government involvement in NETWork planning and design transcends the State administrative arrangement. Further, the Committee expects that private sector participation will be coordinated through and, when the State Title IV-agency determines it appropriate, provided by the private industry councils authorized under the Job Training Partnership Act. Local government participation should include local welfare agencies, local public schools, community colleges and local vocational training institutions, and local employment and training agencies.

3. *Participation Requirements and Exemptions* (Sec. 101(c) of the bill and Secs. 402(a)(19) and 407 of the Social Security Act).

Present Law

Present law requires non-exempt individuals to register with the Department of Labor for manpower services, training, employment and other employment-related activities, including job search.

The following individuals are exempt from participation: (a) a child under age 16 who is attending school; (b) a person who is ill, incapacitated or of advanced age; (c) a person who lives in a remote area; (d) a person needed in the home because of family illness or incapacity of a family member; (e) the parent or other relative of a child under the age of 6 who is personally providing care for the child with only very brief and infrequent absences; (f) a person who is working at least 30 hours per week; and (g) a pregnant woman if the child is expected to be born within 3 months.

States are required to inform the parent or other relative caring for a child under 6 of the option to register and of the child care services (if any) that will be available. In addition, HHS has used the demonstration authority in section 1115 of the Act to permit States to require registration by parents of children under the age of 6. Current law exempts one parent in a two-parent family from participation.

Explanation of Provision

The bill would require participation by non-exempt adults if the program is available and resources otherwise permit. It also would require the State to inform all title IV-A recipients of the program. States would be required to ensure participation of volunteers to the maximum extent possible.

States also would be required to designate three target populations: (a) families with teenage parents and families with parents who were under age 18 when their first child was born; (b) families that have been receiving Title IV-A benefits continuously for 2 or more years; and (c) families with children under 6 years of age.

The bill would exempt from participation: (a) an individual who is ill, incapacitated or 60 years or older; (b) an individual needed in the home because of the illness or incapacity of a family member; (c) an individual who is working 20 or more hours per week; (d) a woman who is pregnant; (e) an individual who resides in an area of the State where the program is not available; and (f) an individual under age 16, except for minor parents required to participate by a State.

The bill would exempt from participation the parent or other relative of a child under 3. Parents of children between the ages of 3 and 6 would be required to participate, as State resources permit. Such participation must be part-time with day care guaranteed. The Secretary could permit a State to require participation by parents of children under the age of 3 and over the age of 1 if participation is part-time and the State can demonstrate appropriate infant care can be guaranteed within the dollar limitation (\$200 per month per child under 2 and \$175 per month per child 2 and over) established by the Act.

Also, the bill would establish that, in a two-parent family, the exemptions would apply to one parent only. States would be permitted to require participation by both parents if appropriate child care is guaranteed.

4. *Coordination with Existing Recipient Activities* (Sec. 101(c)(5) of the bill).

Present Law

No provision.

Explanation of Provision

The bill provides that if the adult caretaker or a dependent child is already attending school or training designed to lead to employment, such attendance may constitute satisfactory participation in the program, but the costs of such school or training would not be Federally reimbursable expenses under Title IV-A. Also, the bill would provide for support services in these cases, as long as the activities are a part of the family support plan.

5. *Service Priorities* (Sec. 101(d) of the bill).

Present Law

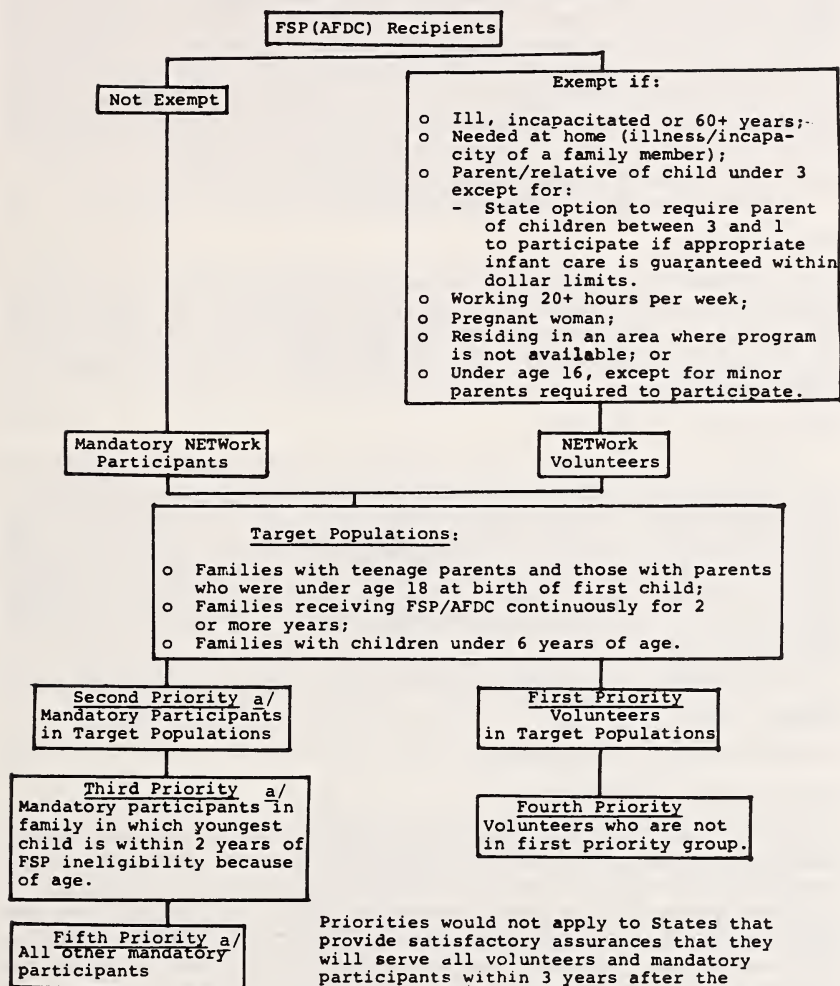
No Title IV-A requirement.

Explanation of Provision

To the extent that State resources do not permit the inclusion in the program of all mandatory participants and volunteers, services are to be provided according to the following priorities: (a) first priority to volunteers in the target populations (see item 3); (b) second priority to mandatory participants in the target populations; (c) third priority to mandatory participants in a family in which the youngest child is within 2 years of becoming ineligible for benefits

because of age; (d) fourth priority to all other volunteers; and (e) fifth priority to all other mandatory participants. Within priority groups, States must give preference to individuals who actively seek to participate. (See Flow Chart of NETWork Participation Rules.)

FLOW CHART OF NETWORK PARTICIPATION RULES



Priorities would not apply to States that provide satisfactory assurances that they will serve all volunteers and mandatory participants within 3 years after the effective date of NETWORK in the State.

a/ First consideration would be given to those actively seeking to participate.

However, some States may plan to serve all mandatory participants and volunteers, but will find it necessary to phase in the program over several years in order to meet that goal. As a result, the bill provides that these priorities would not apply to States that provide satisfactory assurances that they will serve all mandatory participants and volunteers within three years after the effective date of the State's NETWork program. This will give States added flexibility to achieve the goals of H.R. 1720 without disrupting State plans for implementing comprehensive education, employment and training programs for AFDC/FSP recipients.

6. *Orientation* (Sec. 101(e) of the bill).

Present Law

No orientation to work activities is required. States are required to describe the day care services (if any) that will be available to the parent or other relative caring for a child under 6. The mother is permitted to choose the type of day care when more than one kind is available.

Explanation of Provision

The bill would require that the State provide eligible applicants and recipients of Title IV-A benefits with orientation to NETWork, including descriptions of day care services and available health coverage transition options. The orientation must be designed to provide full information about the opportunities offered by the NETWork program and must also describe the obligations of participants. The orientation would be provided to all AFDC applicants and recipients.

7. *Assessment and Family Support Plan* (Sec. 101(f) of the bill).

Present Law

No Title IV-A requirement.

Explanation of Provision

The bill would require the States to assess the educational needs, skills and employability of each participant in the program, and to review family circumstances and the needs of the children. It would require that a family support plan be negotiated by the adult caretaker and the State agency. The plan must be based on the assessment. The family support plan must detail all of the activities which will be undertaken and, to the maximum extent possible, should reflect the preferences of the family members involved.

8. *Agency-Client Agreement and Case Management* (Sec. 101(g) of the bill).

Present Law

No provision.

Explanation of Provision

The bill would require the State agency and the participant to negotiate an agreement detailing the responsibilities of both parties under the NETWork program. The participant would have to be given an opportunity for a fair hearing in the event of a dispute

involving the contents of the family support plan, the contents or signing of the agency-client agreement, the nature or extent of the participation in the program, or any other aspect of participation, including a dispute involving the imposition of sanctions and the participant's right to conciliation before a sanction is imposed. In addition, the State would be required to provide case management services to each family participating in NETWork. If the terms of the agreement are not observed by any party, this would not be a cause of action against the Federal government.

9. *Range of Services and Activities* (Sec. 101(h) of the bill and Secs. 402(a)(35), 409 and 1115 of the Social Security Act).

Present Law

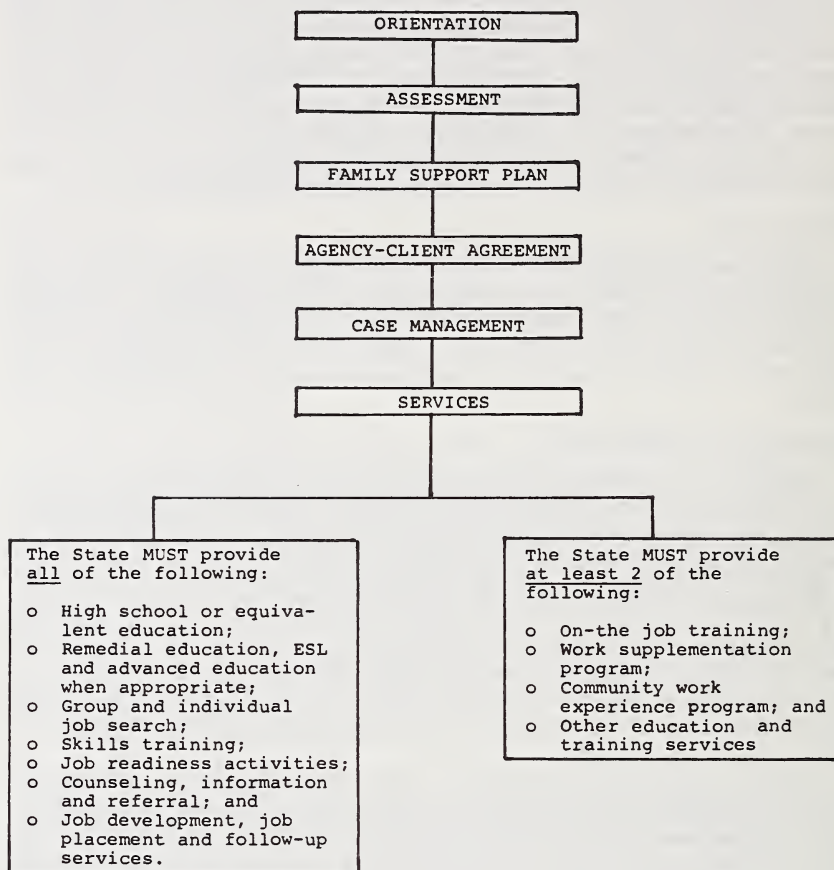
States are permitted to require: (a) applicant and recipient job search; and to operate (b) community work experience programs (CWEP); and (c) work supplementation programs. Additional work-related activities are authorized under Title IV-C. Children over the age of 16 who are not in school are required to register for WIN.

Explanation of Provision

The bill would require that States provide a broad range of services including 9 of the following: (a) high school or equivalent education; (b) remedial education, English as a Second Language (ESL) and advanced education as appropriate; (c) group and individual job search; (d) on-the-job training; (e) skills training; (f) work supplementation programs; (g) community work experience programs; (h) job readiness activities; (i) counseling, information and referral; (j) job development, job placement and follow-up services; and (k) other education and training activities as determined by the State and allowed by the Secretary. (See Flow Chart of NETWork Services)

The bill would require States to make items (a), (b), (c), (e), (h), (i), and (j) available plus at least two of the other activities described. States must encourage children not otherwise in participating families to take in any of the program activities and provide additional services designed to help children stay in school and obtain marketable job skills. Training activities could not interfere with school attendance.

FLOW CHART OF NETWORK SERVICES



NETWork is a comprehensive program designed to provide education, training, day care subsidies and transportation reimbursement to AFDC families. There are services to AFDC families, not cash income. Therefore, the Committee expects that the value of these services shall not be counted in determining eligibility for other Federal programs such as subsidized housing and food stamps or the amount of such benefits.

10. *Working Conditions, Wage Rates, and Displacement* (Sec. 101(h)(4), 101(h)(5), 101(h)(6), and 101(h)(7) of the bill and Sec. 409(a) of the Social Security Act).

Present Law

Under current law, community work experience programs (CWEP) must provide appropriate standards for health, safety, and other relevant conditions. Community work experience programs may not result in the displacement of persons currently employed, or the filling of established unfilled vacancies. Hours of CWEP participation are determined by dividing the Title IV-A benefit by the minimum wage. The State agency is required to provide appropriate worker's compensation.

Explanation of Provision

The bill establishes rules for working conditions, wage rates and a prohibition on displacement that would apply to all activities under NETWork. Specifically, it would require work assignments to be consistent with the physical capacity, skills, experience, health, family responsibilities and place of residence of the participant. The State also would have to assure appropriate standards for health, safety, and working conditions.

The bill would prohibit displacement of currently employed workers and would prescribe a two-tiered procedure for determining whether displacement has occurred. A State level grievance procedure would be used for complaints about the NETWork program and its activities from participants, subgrantees, subcontractors, and other interested persons. State decisions on displacement and promotion infringement complaints could be appealed to the Secretary of Health and Human Services. The bill also provides that the existence of the grievance procedure does not preclude civil action or the pursuit of other remedies authorized under Federal, State or local law.

Participants could not be assigned to employers who have terminated employment or laid off employees with the intention of filling the vacancies with NETWork participants. NETWork participants could not be assigned to jobs that infringe on promotional opportunities of current employees and CWEP participants could not fill established unfilled vacancies.

Wage rates for positions to which participants are assigned would have to meet certain standards. In the case of work subsidized with Federal Title IV-A funds—such as the community work experience program (CWEP), and work supplementation—the wages must equal the current pay scale for that job for that employer. The pay scale is established employer by employer. It is not established on an area-wide basis combining many employers as Davis-Bacon Act wage rates are. In the absence of a current pay

scale for that job, wages must equal the applicable Federal or State minimum wage. Unsubsidized jobs in which recipients may work would not be affected by the pay scale language. The effect of this language is simply to provide that two workers with similar skills and experience who are performing the same job for a particular organization should be paid the same wage level if the Federal government is in part subsidizing the wages. In addition, appropriate worker's compensation would have to be provided.

States would be prohibited from requiring a participant to accept a job if it would result in a net loss of income (including the insurance value of any health benefits) to the participant or family.

11. *Coordination* (Sec. 101(h)(9) of the bill).

Present Law

No Title IV-A requirement.

Explanation of Provision

The bill would require coordination of NETWork with JTPA and other relevant employment, training and education programs in the State. States would be encouraged to establish an advisory committee. In addition, the State's NETWork plan would be submitted to the State Job Training Coordinating Council for review and comment 90 days prior to submission to the Department of Health and Human Services. Those components of the State plan for NETWork which relate to job training and work place preparation must be consistent with the coordination criteria specified in the Governor's coordination and special services plan required under Section 121 of the Job Training Partnership Act.

The bill also would require coordination of NETWork with existing early childhood education programs within the State.

12. *State Service Contracts* (See 101(h)(11) of the bill).

Present Law

No provision.

Explanation of Provision

Permits the State to contract with public or private agencies for any of the services or activities made available under the program. The NETWork program does not replace or supplant existing education and training programs in the States. Instead, it is designed to provide additional resources to the States and to target those resources to serve the needs of AFDC/FSP families. The Committee expects that, whenever appropriate, the funds authorized under this bill will be combined with other State resources and that the Title IV-A agency will contract with existing providers of education and training services whenever the title IV-A agency determines it would be appropriate to do so.

13. *Work Supplementation Program* (Sec. 101(i) of the bill and Sec. 414 of the Social Security Act).

Present Law

Present law permits States to operate a work supplementation program for volunteers in which all or a portion of the Title IV-A

benefit is used to subsidize a job. The subsidy may last for up to 9 months. States may continue Medicaid eligibility for participants.

Explanation of Provision

The bill keeps current law, with certain technical, clarifying, and conforming amendments. In addition, it would *require* States to continue Medicaid eligibility for participants.

14. *Community Work Experience Program (CWEP)* (Sec. 101(j) of the bill and Sec. 409 of the Social Security Act).

Present Law

States may, at their option, operate community work experience programs in which participants perform unpaid work in exchange for Title IV-A benefits. The maximum number of hours of work is equal to the Title IV-A benefit divided by the minimum wage.

Community work experience programs must be designed to improve the employability of participants through actual work experience and training and to enable participants to move promptly into regular public or private employment. CWEP is limited to projects which serve a useful public purpose in fields such as health, social services, environmental protection, education, urban and rural development and redevelopment, welfare, recreation, public facilities, public safety, and day care. To the extent possible, the prior training, experience and skills of a recipient must be used in making work experience assignments.

Explanation of Provision

The bill would permit States to operate two forms of community work experience programs in which participants perform unpaid work and receive training in exchange for Title IV-A benefits. Reassignment to CWEP would be prohibited.

The first program option would require participants to work and to receive training for a period not exceeding 6 months, with the maximum number of hours required to work equal to the IV-A benefit divided by the current hourly pay scale for the position in which the participant works or, if there is no current pay scale for that position, by the appropriate minimum wage. In States electing this option, the portion of an individual's benefit for which the State is reimbursed by a child support payment shall not be taken into account in determining the number of hours to be worked.

Under the second option, participants would be required to perform unpaid work experience and to receive training for not more than a combined total of 30 hours per week for a period not exceeding 3 months.

15. *Job Search* (Sec. 101(k) of the bill and Sec. 402(a)(35) of the Social Security Act).

Present Law

Under current law, States may operate a job search program for applicants and recipients.

Explanation of Provisions

The bill would require States to establish and implement a job search program. Any job search requirement must be part of the

family support plan. States would have flexibility with respect to the timing of the job search activity. Job search could occur while the application is being processed, after assessment, after education and training and at other appropriate times during NETWork participation. The bill stipulates that participation in job search alone shall not be sufficient to qualify as participation if the job search does not result in employment. Further, a job search requirement may not delay an applicant's eligibility determination or payments.

16. *Sanctions for Failure to Participate* (Sec. 101(1) of the bill and Sec. 402(a)(19) of the Social Security Act).

Present Law

Mandatory WIN registrants are penalized for failure without good cause to participate in WIN by reducing or eliminating Title IV-A benefits. In a single-parent family, the noncooperating individual is removed from the grant. In a two-parent family, the entire family is ineligible. Regulations require sanctions to continue for 3 months in the first instance of failure to cooperate and for 6 months in the second or subsequent instance.

Explanation of Provision

The bill would require conciliation before sanctions are imposed. It would sanction mandatory participants by reducing Title IV-A benefits for failure without good cause to participate in NETWork, as follows. In a single parent family, the needs of the individual who fails to participate would not be taken into account in determining the AFDC/FSP grant. This is the same as current law. In a two-parent family in which both parents have been required to participate, the needs of the individual who fails to participate would not be taken into account in determining the AFDC/FSP grant. In a two-parent family in which only one parent is required to participate, the needs of both parents would not be taken into account in determining the AFDC/FSP grant.

In the first instance of failure to cooperate without good cause, the bill would continue sanctions until the failure to comply ceases. In the second instance, the sanction would continue for a minimum of 3 months. In either case, after 3 months, the State would be required to remind the individual of his or her option to end the sanction. Also, the bill stipulates that volunteers who drop out of the program thereafter are to be given no priority for service, dependent children who drop out of NETWork would be treated the same as volunteers.

The sanction cannot be imposed until efforts toward conciliation have been made and the participant has been given prior notice and the opportunity for a hearing to contest the sanction. The conciliation process could work as follows:

Upon finding that a mandatory registrant is not participating, a notice of that finding would be mailed to the individual. That notice would inform the recipient of the penalties for failure to participate without good cause and request that the recipient contact the assigned case manager so that a determination can be made of whether there was good cause for nonparticipation.

When the mandatory participant or an authorized representative contacts the case manager to discuss the issue of nonparticipation,

the case manager would explore with the registrant or authorized representative the reasons for nonparticipation and determine if the reason(s) are acceptable under the agency's criteria for good cause. "Good cause" criteria for nonparticipation might include:

- Illness or incapacity;
- Court-required appearances;
- Family crisis or sudden change of individual or family circumstances;
- Breakdown in transportation arrangements with no readily accessible alternative means of transportation;
- Inclement weather which prevented the recipient and other persons similarly situated from traveling to or participating in the prescribed activity;
- Breakdown in child care arrangements;
- Lack of other supportive services necessary for participation;
- and
- Other substantial and compelling reasons under guidelines developed by the agency.

17. *Regulations* (Sec. 101(m) of the bill).

Present Law

No provision.

Explanation of Provision

The bill would require the Secretary to publish proposed regulations implementing the program within 6 months after the date of enactment and final regulations within 9 months after the date of enactment. The Secretary would be required to consult with the States in developing regulations.

18. *Performance Standards* (Sec. 101(n) of the bill).

Present Law

No provision.

Explanation of Provision

The bill would require the Secretary of Health and Human Services to issue performance standards within one year after the date of enactment. The Secretary would be required to consult with the Congress, the Secretary of Labor, States, localities, educators and other interested persons.

At a minimum, such standards would: (a) provide methods for measuring the degree to which States serve those in the target population who will have the most difficulty finding employment; (b) provide methods for determining whether States deliver intensive services, tailored to the individual; (c) provide methods for measuring the degree to which States place emphasis on volunteers; (d) measure the cost effectiveness of the employment portion of the program and the welfare savings that result; (e) establish expectations for placement rates, including the minimum rate at which participants within each priority group are to be placed in jobs, complete school or both; (f) give appropriate recognition to the likelihood that unemployment and other economic factors will influence the success of the program; (g) take into account the extent to which the program results in job retention, case closures, educa-

tional improvements, and the degree to which recipients are placed in jobs with employer-sponsored health benefits; and (h) any other factors deemed to be important.

The Committee expects that the performance measurement system will, in conjunction with any evaluation studies, monitor employed families who have become ineligible for AFDC/FSP benefits. Such monitoring may be done on a sampling basis but shall be of sufficient duration, well in excess of 30 days, to reasonably determine the long-term success of the program.

The performance standards would be periodically reviewed by the Secretary and modified as necessary. The Secretary would also be required to develop and transmit to Congress a proposal for modifying the rate of Federal payments to States to reflect the relative effectiveness of States in carrying out the program.

19. *Evaluation, Research and Technical Assistance* (Sec. 101(o) of the bill).

Present Law

No Title IV-A requirement.

Explanation of Provision

The bill would require the Secretary of Health and Human Services to provide for continuing evaluation of the activities established under NETWork. The Committee intends that such evaluations include the use of control groups, random assignment and such other techniques as are useful in determining the success of the program in helping families avoid long-term welfare dependence.

In addition, research would be required to examine: the effectiveness of giving priority to volunteers; appropriate strategies for assisting two-parent families; the wage rates of individuals placed in jobs; the approaches that are most effective in meeting the needs of specific groups, and types of participants; and the effect of targeting on families that include children below age 6. The Secretary would be required to provide technical assistance to States, localities, schools, and employers who participate in the program and who request or require it.

20. *Reporting Requirements* (Sec. 101(p) of the bill).

Present Law

No Title IV-A requirement.

Explanation of Provision

The bill would require the Secretary to establish uniform reporting requirements, which at a minimum include: average monthly number of families assisted, types of families, amounts expended per family, and length of participation. This information would be required to be provided for each of the services under NETWork.

21. *Federal Financial Participation* (Sec. 102(a) of the bill and Sec. 403(a) of the Social Security Act).

Present Law

States received, under current law, a 50 percent Federal match for AFDC administration, including the costs of job search, CWEP

and work supplementation as part of the Title IV-A entitlement. States also receive funding under Title IV-C of the Act, the WIN program. WIN funds are limited to 90 percent of a capped amount.

Explanation of Provision

The bill would provide a 65 percent Federal match for NETWork education and training costs as part of the Title IV-A entitlement. The State match would be 35 percent. The basic Federal AFDC administrative match would remain at 50 percent. NETWork administrative costs also would be reimbursed with 50 percent Federal funds. The costs of case management would be considered administrative costs.

22. *100 Hour Rule Demonstration Projects* (Sec. 102(b) of the bill and Secs. 1115 and 407 of the Social Security Act).

Present Law

Current regulations define "unemployment" as working less than 100 hours per month under the AFDC-UP program. Two-parent families in which the principal earner works more than 100 hours per month are ineligible for AFDC regardless of the level of earnings.

Explanation of Provisions

The bill would authorize 5 State and local demonstration projects to test the elimination of the 100 hour rule for recipients of AFDC-UP.

23. *Early Childhood Development Demonstrations* (Sec. 102(b) of the bill and Sec. 1115 of the Social Security Act).

Present Law

No provisions.

Explanation of Provision

The bill would authorize 10 demonstration projects to test the effect of in-home early childhood development programs, including academic credit for student volunteers, and pre-school center-based development programs. The projects would be designed to enhance the cognitive skills and linguistic ability of children under the age of 5 in programs emphasizing the use of volunteers. A special emphasis would be placed on improving communications skills and developing the ability to read, write and speak the English language effectively. The demonstrations would extend for up to 3 years with an evaluation submitted to the Congress by HHS after year 1 and before the end of year 3. There would be authorized to be appropriated such sums as are necessary.

24. *General Demonstration Authority* (Sec 102(b) of the bill and Sec. 1115 of the Social Security Act).

Present Law

Under Section 1115 of the Social Security Act, States are permitted to operate demonstrations likely to assist in promoting the objectives of Title IV-A.

Explanation of Provisions

The bill would authorize general work education and training demonstration projects under Section 1115 of the Social Security Act. It would also permit State demonstration projects, targeted to Title IV-A children, that would be designed to test financial incentives and inter-disciplinary approaches to reducing school dropouts, encouraging skill development and avoiding welfare dependence. Demonstrations would be required to be conducted for at least one year but no more than 5 years.

25. *Effective Date* (Sec. 104 of the bill).

Present Law

No provision.

Explanation of Provision

The bill would require States to implement the NETWork program by October 1, 1989. With the approval of the Secretary, States may elect to participate in the program at any time after the proposed regulations have been published. The provisions requiring the Department of Health and Human Services to publish regulations, develop performance standards, conduct evaluations and establishment uniform reporting requirements are effective on enactment.

B. TITLE II.—DAY CARE, TRANSPORTATION AND OTHER WORK-RELATED EXPENSES

1. *Payment of Day Care Expenses* (Sec. 201(a)(1) of the bill and Sec. 402(a)(8) of the Social Security Act).

Present Law

States are required to disregard certain earned income when determining the amount of benefits to which a recipient family is entitled. For child care, States must disregard actual expenses up to \$160 per month per child. Child care expenses are disregarded at application and when calculating benefits. The disregard is available only to working families. The Federal share of these expenditures for a State is equal to its Title IV-A benefit match.

Explanation of Provision

The bill would require States to pay the day care expenses, under Title IV-A, of eligible individuals who have a need for such services and who are working, in school or training, or participating in NETWork. The State would be required to provide day care either through contracts, certificates, or disregards. In the case of disregards, child care expenses could not exceed the dollar limit in the bill and would otherwise be treated as under current law, but would be deducted last.

The bill would limit reimbursement to \$175 per month per child age 2 and over and \$200 per month per child under age 2. The Federal share of these expenses for a State would be equal to its Title IV-A benefit match. States could reimburse more than these limits using State funds, but there would be no Federal match.

The bill would require day care services to meet applicable standards of State and local law and would also require child care services involving more than 2 children to meet standards set by the State that ensure basic health and safety protections.

Effective Date

The effective date would be October 1, 1987, unless the State legislature is not in a regular session on the date of enactment of this bill and State legislation is required to provide the funds needed to carry out the amendments made by this Title (or otherwise to implement the amendments). In such case, the effective date for the State would be the first day of the next Federal fiscal year that begins after the State legislature has convened for a regular session during which a budget is (or is scheduled to be) adopted by the State.

2. *Reimbursement of NETWork Transportation and Other Work-Related Expenses* (Sec. 201(a)(2) of the bill).

Present Law

No current Title IV-A requirement.

Explanation of Provision

The bill would require Title IV-A agencies to reimburse NETWork participants up to \$100 per month (adjusted for inflation) for transportation and other work-related expenses. If the participant must travel 100 miles or more to the NETWork assignment, reimbursement could be as much as \$200 per month. The Federal share of these expenditures for a State is equal to its Title IV-A benefit match.

Effective Date

This provision would be effective on the date a State implements its NETWork program. The bill requires States to implement the NETWork program by October 1, 1989. With the approval of the Secretary, however, States may elect to participate in the program at any time after the proposed regulations have been published.

3. *Limitations on Treatment of Day Care Expenses* (Sec. 201(a)(4) of the bill).

Present Law

No provision.

Explanation of Provision

The bill stipulates that the value of any day care provided or reimbursed shall not be treated as income for any Federal needs-based program and may not be claimed as an employment-related expense for purposes of the dependent care credit.

Effective Date

The effective date would be October 1, 1987, unless the State legislature is not in a regular session on the date of enactment of this bill and State legislation is required to provide the funds needed to carry out the amendments made by this Title (or otherwise to implement the amendments). In such case, the effective date for the

State would be the first day of the next Federal fiscal year that begins after the State legislature has convened for a regular session during which a budget is (or is scheduled to be) adopted by the State.

4. *Day Care Transition* (Sec. 201(b) of the bill).

Present Law

No provision.

Explanation of Provision

The bill would provide for the extension of day care assistance for 6 months to Title IV-A families who become ineligible and have earnings. Assistance would be limited to actual expenses up to \$200 per child per month for children under 2 and \$175 per month for children 2 and older.

States would be required to establish a sliding scale formula for calculating the individual's contribution to the day care expense.

Effective Date

The effective date would be October 1, 1987, unless the State legislature is not in a regular session on the date of enactment of this bill and State legislation is required to provide the funds needed to carry out the amendments made by this Title (or otherwise to implement the amendments). In such case, the effective date for the State would be the first day of the next Federal fiscal year that begins after the State legislature has convened for a regular session during which a budget is (or is scheduled to be) adopted by the State.

5. *Evaluation of Child Care Resources* (Sec. 202 of the bill).

Present Law

No provision.

Explanation of Provision

The bill would require States to assess the availability and reliability of child care services regularly and to develop new child care resources as needed. Coordination with other child care resources in the state would be required.

Effective Date

The effective date would be October 1, 1987, unless the State legislature is not in a regular session on the date of enactment of this bill and State legislation is required to provide the funds needed to carry out the amendments made by this Title (or otherwise to implement the amendments). In such case, the effective date for the State would be the first day of the next Federal fiscal year that begins after the State legislature has convened for a regular session during which a budget is (or is scheduled to be) adopted by the State.

6. *Demonstration Projects* (Sec. 201(c) of the bill and Sec. 1115(b) of the Social Security Act).

Present Law

Regulations limit the equity value of a vehicle that States can exclude from the counted resource limit to at most \$1,500. States may set a lower limit.

Explanation of Provision

A five-State, five-year test of applying the Food Stamp program automobile value limits would be authorized. At least one rural and one urban State must be selected. If the State of North Dakota chooses to apply for the demonstration, it would be one of the rural State participants.

In addition, 5 State demonstrations to encourage States to employ AFDC/FSP mothers as paid day care providers would be authorized. The demonstrations would be designed to test whether such a training program can make additional day car services available while also creating employment opportunities for AFDC/FSP families.

Effective Date

The provision would be effective October 1, 1987.

C. TITLE III.—REAL WORK INCENTIVES

1. *Earned Income Tax Credit* (Sec. 301(a) of the bill and Sec. 402(a)(8) of the Social Security Act).

Present Law

For AFDC purposes, the earned income tax credit (EITC) is treated as earned income only when it is actually received, either as an advance payment or as a refund after the tax year has ended.

Explanation of Provision

The bill would require States to disregard any advance payments or refund of the EITC when calculating AFDC eligibility or benefits.

2. *Changes in Earned Income Disregards* (Sec. 301(a) of the bill and Sec. 402(a)(8) of the Social Security Act).

Present Law

At application, a State is required to disregard the following: (a) the first \$75 of earned income to cover work expenses; (b) actual expenses up to \$160 per month per child for day care; and (c) the first \$50 of any monthly child support payments.

The State may also disregard the dependent child's JTPA earnings for 6 months and student earnings if these are also disregarded for purposes of the gross income limit.

To calculate benefits of individuals determined to be eligible at application, the State must disregard the following: (a) all of the earned income of a dependent child who is a student and not working full-time; (b) the first \$75 of earned income to cover work expenses; (c) actual expenses up to \$160 per month per child for day care; (d) \$30 of earned income for 12 months; (3)½ of the remaining earned income for 4 months; and (f) the first \$50 of any monthly child support payments.

The State may also disregard the dependent child's JTPA earnings for 6 months and student earnings if those earnings are also disregarded for purposes of the gross income limit.

Explanation of Provision

The bill would require States to disregard, at application the following: (a) the first \$100 of earned income to cover work expenses; (b) in States choosing the disregard approach, actual day care expenses up to \$175 per month per child age 2 or more, \$200 per month per child under age 2; and (c) the first \$50 of any monthly child support payments. The State also would be allowed to disregard JTPA earnings for 6 months.

To calculate benefits, the State would be required to disregard the following items in the following order: (a) all of the earned income of a dependent child who is a student and not working full time; (b) the first \$100 of an individual's earned income; (c) 25 percent of an individual's remaining earnings; (d) the first \$50 of any monthly child support payments; and (e) in States choosing the disregard approach, actual day care expenses up to \$200 per child per month for children under 2 and \$175 per child per month for children 2 and over.

3. *Optional State Disregard Increases* (Sec. 301(b)(1) of the bill and Sec. 402(a)(8) of the Social Security Act).

Present Law

No provision.

Explanation of Provision

The bill would permit the State to increase the disregards so long as the family's gross income is under 185 percent of the State standard of need.

4. *Adjustment of Standard Deduction* (Sec. 301(b)(2) of the bill).

Present Law

No provision.

Explanation of Provision

The bill would require that the \$100 standard deduction be adjusted annually for changes in the cost of living.

5. *Effective Date*.

Present Law

No provision.

Explanation of Provision (Sec. 302 of the bill)

The effective date for the provisions of this Title would be on October 1, 1988, unless the State legislature is not in a regular session on the date of enactment of this bill and State legislation is required to provide the funds needed to carry out the amendments made by this Title (or otherwise to implement the amendments). In such case, the effective date for the State would be the first day of the next Federal fiscal year that begins after the State legislature has convened for a regular session during which a budget is (or is scheduled to be) adopted by the State.

D. TITLE IV.—TRANSITIONAL HEALTH CARE

1. *Medicaid Transition* (Sec. 401 of the bill and Sec. 402(a)(37) of the Social Security Act).

Present Law

Title IV-A recipients are automatically eligible for Medicaid. In addition, Medicaid coverage has been extended to certain families who lose Title IV-A eligibility. This health coverage is available under three circumstances: (a) families who become ineligible for Title IV-A benefits due to an increase in earnings are eligible for 4 months of Medicaid; (b) families who become ineligible for Title IV-A benefits due to the termination of the $\frac{1}{2}$ of remaining earnings disregard after 4 months, receive 9 months of Medicaid with State option for an additional 6 months; and (c) families who become ineligible for Title IV-A benefits due to increased collection of child support are eligible for 4 months of Medicaid. In the case of families with private health insurance, Medicaid pays for only those health services not covered by the private insurance.

Explanation of Provision

The bill would require families who become ineligible for Title IV-A benefits and have earnings to be deemed to be Title IV-A recipients for the purpose of Title XIX (Medicaid) eligibility. Medicaid would be extended for 6 months. The bill prohibits the Medicaid extension for families that cease to include a dependent child and those who have been sanctioned.

Effective Date

This Title would be effective on and after October 1, 1988, unless the State legislature is not in a regular session on the date of enactment of this bill and State legislation is required to provide the funds needed to carry out the amendments made by this Title (or otherwise to implement the amendments). In such case, the effective date for the State would be the first day of the next Federal fiscal year that begins after the State legislature has convened for a regular session during which a budget is (or is scheduled to be) adopted by the State.

E. TITLE V.—CHILD SUPPORT ENFORCEMENT AMENDMENTS

1. *State Guidelines for Child Support Award Amounts* (Sec. 501 of the bill and Sec. 467(a) and 467(b) of the Social Security Act).

Present Law

P.L. 98-378 requires that each State develop guidelines for child support award amounts within the State. The guidelines must be made available to all judges and other officials who have the power to determine child support awards within the State, but need not be binding on them.

Explanation of Provision

The bill would require the guidelines to be a rebuttable presumption for determining and updating awards under all child support orders issued or modified in a State. The guidelines would be re-

quired to be reviewed fully every 3 years to reflect cost-of living changes. Child support orders would be required to be reviewed periodically and updated at least every two years.

The bill provides that when the guidelines are first applied to determine support, they constitute a presumption about the appropriate level of support. This presumption is rebuttable: the decision-maker can make a different support award if he or she makes a written finding that application of the guidelines would be unjust or inappropriate in a particular case. The presumption is also rebuttable when awards are updated.

The bill also requires that orders be updated to reflect changes in the absent parent's financial situation and in other circumstances. In order to effectively make such a determination, the State must require that both parties make available relevant financial information.

Either parent would be permitted to contest the amount of an updated award; a time-limited period would be provided for a decision by a State official on a request for review. This review would include the opportunity for a hearing if either party requests one. A hearing provides both sides with the opportunity to subpoena and present documents, be assured that all testimony is under oath, and to cross-examine the opposing party—important protections in factual disputes about the parties' financial situation.

2. *Establishment of Paternity* (Sec. 502 of the bill and Sec. 466(a)(5) of the Social Security Act).

Present Law

All applicants for and recipients of Title IV-A benefits are required to cooperate with the State in establishing the paternity of any child born out of wedlock. In addition, P.L. 98-378 mandates that each State have in effect laws requiring the use of procedures that permit the establishment of the paternity of any child at any time prior to such child's 18th birthday. Laboratory costs incurred in determining paternity in a fiscal year may, at the option of the State, be excluded from the incentive grant calculation.

Explanation of Provision

The bill reiterates that current law requires States to establish the paternity of Title IV-A children within the State. States would be encouraged to establish simple civil procedures for voluntarily acknowledging paternity and a civil procedure for contested paternities. Use of a 95 percent probability index from blood tests as a rebuttable presumption of paternity would be required.

The bill would clarify that the authority to establish paternity until the child is 18, included in the 1984 amendments, applies to every child under the age of 18 on the date of enactment of the 1984 amendments, including those for whom a paternity action was brought but dismissed because a statute of limitations of less than 18 years was then in effect in the State.

Also, States would be permitted, in calculating cost effectiveness ratios, to impute \$100 per month for 12 months in all cases in which they have established paternity. Further, performance standards for paternity establishment would be set. In FY 89 the number of paternity establishments must be 50 percent higher

than in FY 86. In each of the subsequent 4 years, paternity establishments would be required to increase by 15 percent.

The Committee wishes to emphasize the importance of paternity establishment and intends for these provisions to encourage paternity establishments even in cases where child support cannot be immediately collected.

3. *Visitation Demonstrations* (Sec. 503 of the bill).

Present Law

No provisions.

Explanation of Provision

The bill would authorize demonstration grants, totaling no more than \$5 million per year, to determine the magnitude of absent parent visitation problems and to test possible solutions. Demonstrations may address custody issues, but could not allow child support to be withheld pending visitation.

4. *Child Supprt Disregard Clarification* (Sec. 504 of the bill and Sec. 402(a)(8)(A) of the Social Security Act).

Present Law

States are required to pay to the AFDC/FSP family the first \$50 of such amounts as are collected periodically which represent monthly support payments without affecting Title IV-A eligibility and benefits.

Explanation of Provision

The bill would clarify that the family is to receive the disregard whenever the absent parent makes a timely payment and without regard to the time it takes State agencies to process the payment.

5. *Time Frames for State CSE Responses* (Secs. 505 and 512 of the bill).

Present Law

No provision.

Explanation of Provision

The bill would require the establishment of standards for the period of time within which a State must respond to requests for assistance in locating absent parents or establishing paternity and begin proceedings to establish or enforce support awards.

Also, the Department would be required to collect from the States data on the number of requests for the various child support enforcement services.

The following additional statistics would be reported, by State, to Congress as part of the annual report; (1) the number of IV-D cases, with AFDC and non-AFDC cases listed separately, that have requested or require the identified service; (2) the number of IV-D cases, again displayed separately for AFDC and non-AFDC, that received the service; and (3) the number of cases needing the service as a percentage of those that actually received it. The identified services are: paternity establishment; location of an absent parent for purposes of establishing a support order; establishment of a

child support order; and location of an absent parent for purposes of enforcing a support order.

6. *Mandatory Automated Tracking and Monitoring* (Sec. 506 of the bill and Sec. 454 of the Social Security Act).

Present Law

States are permitted to develop and implement automated data processing systems which control, account for, and monitor all of the factors in the support enforcement collection and paternity determination process. The Federal share of the planning and development costs is 90 percent.

Explanation of Provision

The bill would require States to develop and to implement automated tracking and monitoring systems according to a time schedule. All States would be required to have an operational automated system by October 1, 1992. Special Federal matching of 90 percent would expire on October 1, 1992.

7. *Treatment of Interstate Funds* (Sec. 507 of the bill and Sec. 458(d) of the Social Security Act).

Present Law

States receiving interstate child support enforcement demonstration funds must include these funds as part of the State's total IV-D administrative costs, and thereby in the calculation of the State incentive payments.

Explanation of Proposal

The bill would exclude the costs of interstate enforcement demonstrations in computing a State's incentive payments.

8. *Child Support Administrative Match and Presumptive Wage Withholding* (Sec. 508 of the bill and Sec. 455(a)(2) of the Social Security Act).

Present Law

For FY 87, the Federal matching rate is 70 percent. It is scheduled to decline to 66 percent by FY 1990. In addition, States found not to be in compliance with the act are subject to a loss of AFDC administrative funds. As part of the Child Support Enforcement program, States are required to enact State laws that institute wage withholding after a 30-day arrearage has occurred.

Explanation of Provision

The bill would lower the Federal matching rate to 66 percent for States not in compliance with the 1984 amendments within 6 months after the date of enactment. This penalty is in addition to current law penalties. A permanent match of 70 percent would be provided to States that are in compliance with the 1984 amendments and implement a presumptive wage withholding law. Under such a law, wage withholding is immediate and does not await the accrual of a 30 day arrearage. However, State laws must permit exceptions if: (1) one parent demonstrates, and the judge finds good cause not to apply wage withholding; or (2) a written agreement is

reached between both parties that provides for an alternative arrangement.

9. *Commission of Interstate Enforcement* (Sec. 509 of the bill).

Present Law

No provision.

Explanation of Provision

The bill would establish a commission to study interstate child support establishment and enforcement, and to develop a new model interstate law. The commission would be required to report not later than one year after the date of enactment.

The Committee expects the commission to carefully consider all possible remedies to the problems of interstate child support establishment and enforcement including the appropriateness, usefulness and feasibility of by law: (1) establishing a Federal child support establishment and enforcement system that removes this function from the State level; and (2) establishing the Federal right of every unemancipated child to be supported by such child's parent or parents and conferring on certain local courts of the District of Columbia and every State jurisdiction to enforce the right to support regardless of such child's residence.

10. *Study of Child Raising Costs* (Sec. 510 of the bill).

Present Law

No provision.

Explanation of Provision

The bill would direct the Secretary to conduct a study of the patterns of expenditures on children in two-parent families, in single-parent families following divorce, and in single-parent families in which the parents were never married. Particular attention must be given to the relative standards of living in households in which both parents and all of the children do not live together.

11. *Demonstration Projects to Test Voluntary Work, Education, and Training for Fathers Who Are Unable to Pay Child Support* (Sec. 511 of the bill and Sec. 1115(b) of the Social Security Act).

Present Law

No provision.

Explanation of Provision

The bill would permit State to test methods of improving child support enforcement in cases where the noncustodial parent is unable to meet the support obligation. Under the demonstrations, such parents would be encouraged to participate in work, education and training activities available in the State.

12. *Access to DOL-Funded Quaterly Cross Match System* (Sec. 513 of the bill).

Present Law

No provision.

Explanation of Provision

The Federal Parent Locator Service (FPLS) and the State child support agencies would be given access to the quarterly cross match system funded by the Department of Labor and accessed through an electronic mail system called INTERNET. The system contains information on place of employment, social security number, and addresses of employees that is currently used in the unemployment compensation program. The costs of the computer match would be paid by the requesting agency. In the case of State child support agencies, such costs would be Federally reimbursable CSE expenses.

13. *Effective Date* (Sec. 514 of the bill).

Present Law

No provision.

Explanation of Provision

Except as otherwise noted, the amendments in Title V are effective on the first day of the first calendar quarter that begins one year or more after the date of enactment.

F. TITLE VI.—PRO-FAMILY WELFARE POLICIES

1. *Mandatory AFDC-UP* (Sec. 601 of the bill and Secs. 402(a) and 407 of the Social Security Act).

Present Law

States may, at their option, provide Title IV-A benefits to financially-eligible two-parent families in which the principal earner is "unemployed", defined in regulations as working fewer than 100 hours per month. For eligibility, the law requires that the unemployed parent have worked six or more quarters in any 13 calendar quarter period ending within 1 year before applying for AFDC-UP.

Explanation of Provision

The bill would mandate Title IV-A benefits to financially-eligible two-parent families in which the principal earner is "unemployed", defined as working fewer than 100 hours per month.

States would be permitted to substitute for 4 of the 6 quarters of work, quarters of full-time attendance in elementary or secondary school, full-time participation in vocational training, or participation in a JTPA education or training program, but the bill would set a lifetime limit of 4 quarters creditable to vocational training. The bill would require a study by the General Accounting Office of the policies and regulations regarding administration of the AFDC-UP program within 6 months after the date of enactment.

Effective Date

The effective date would be January 1, 1990, except for the GAO study.

2. *Case Management Services for Minor Parent Families* (Sec. 602 of the bill and Sec. 402(a) of the Social Security Act).

Present Law

No provision.

Explanation of Provision

The bill would require that case management services be provided to Title IV-A families in which at least one parent is a minor. Federal reimbursement for these services would equal 50 percent.

Effective Date

The effective date would be October 1, 1987.

3. *Minor Parent Family Living Arrangements and Grandparent Deeming* (Sec. 602(b) of the bill and Sec. 402(a) of the Social Security Act).

Present Law

Minor parents with dependent children eligible under Title IV-A may live at home with their parents (the grandparents of the dependent child) or may elect to leave home and establish a separate Title IV-A unit for themselves and the child. If the minor parent and child choose to live with the grandparent of the dependent child, a portion of the income of the grandparent(s) is considered in determining Title IV-A eligibility and benefits.

Explanation of Provision

The bill would require unmarried minor (under age 18) parent families to live with a parent, legal guardian or other adult relative or in a foster home, maternity home or other supportive living arrangement in order to qualify for Title IV-A benefits unless the State determines it is impossible or inappropriate to do so. The State agency would be permitted to waive this requirement if: (a) the minor has no living parent or legal guardian whose whereabouts are known; (b) the health or safety of the minor parent or the child would be jeopardized or the living conditions are overcrowded; (c) the parent or guardian refuses to allow the minor parent and child to live in his or her home; or (d) the minor parent has lived apart from the parent or guardian for at least a year before the birth of the child or prior to making application for title IV-A benefits.

The Committee intends that State IV-A agencies implement this provision flexibly and that the State agency demonstrate beyond a reasonable doubt that a minor parent may safely and appropriately live at home. The responsibility for proving this should not be left to the minor parent although the minor parent's full cooperation in this regard may certainly be required. The Committee is concerned that while it is generally in the minor parent's best interest to live in a supportive home with adult supervision, it is also important to protect against any unintended adverse consequences that may result.

In determining the minor parent family's eligibility, if the parent of the minor parent is also eligible for Title IV-A benefits, the minor parent and her child(ren) would constitute a separate unit.

The requirement that part of the income of the parent of a minor parent be attributed to the dependent child in a minor parent family would be repealed.

Effective Date

The effective date would be October 1, 1987.

4. *Optional State Requirements for Minor Parents* (Sec. 602(a) of the bill and Sec. 417(c) of the Social Security Act).

Present Law

No provision.

Explanation of Provision

The bill would permit the State to require school attendance or participation in training in parenting and family living skills, including nutrition and health education, as a condition of Title IV-A eligibility if appropriate day care is guaranteed.

Effective Date

The effective date would be October 1, 1987.

G. TITLE VII.—BENEFIT IMPROVEMENTS

1. *Annual Evaluation of Need and Payment Standards* (Sec. 701 of the bill and Sec. 402(a) of the Social Security Act).

Present Law

By July 1, 1969, States were required to make a one-time adjustment in their Title IV-A need and payment standards to reflect fully changes in living costs. No further adjustments have been required.

Explanation of Provision

The bill would require an annual evaluation of the Title IV-A need and payment standards, with particular attention to determining whether the amount assumed for shelter is adequate.

Effective Date

The effective date would be October 1, 1987.

2. *Enhanced Federal Match for Benefit Improvements* (Sec. 702 of the bill and Sec. 403 of the Social Security Act).

Present Law

No provision.

Explanation of Provision

The bill would increase by 25 percent the Federal share of benefit payments that represent an increase over the September 30, 1988 level of payments. This provision is intended to encourage States to increase benefits. The Committee expects that the Secretary, in prescribing regulations for this provision, will endeavor to implement the provision efficiently and effectively and without unnecessary administrative burdens. Its implementation is purely an administrative function, separate and unrelated to the determina-

tion of eligibility and the calculation of benefits. In fact, the only impact on recipients and caseworkers should be the final result: increased benefits.

The provision would work as follows: The normal Federal matching rate would apply to the level of benefits as of September 30, 1988. For any increases above this level, the Federal government would pay a matching rate that is 25 percent higher than that for 1988. Enhanced matching rates would be calculated for a State for each family size. Each family size matching rate would be weighted by the proportion of all AFDC families in the State of that size. Such weighted matching rates for each family size would be summed to obtain a total enhanced matching rate for the State.

Consider an example of a State with a benefit level of \$300 per month for a family of 3 and a 50 percent Federal matching rate. Suppose this State increases its benefits by 3 percent. The new benefit for a family of 3 would be \$309 per month. The State's enhanced matching rate for a family of three would be calculated as follows:

Current benefit level times current matching rate	\$300.00 × .50 =	\$150.00
Plus enhanced matching rate for 3 percent increase	9 × .625 =	5.63
Total		\$155.63
Divide by new benefit level	\$155.63/309 =	.5037

The new enhanced Federal matching rate for a family of 3 is .5037. The same calculation would be made for other family sizes and the weighted sum would yield the new enhanced Federal matching rate for the State.

The following table illustrates how the enhanced match is calculated.

EXAMPLE OF THE CALCULATION OF THE ENHANCED FEDERAL MATCHING RATE FOR A STATE

[Assumes a 3-percent benefit increase]

Family size	Current monthly benefit	Current Federal match rate	Benefit increase	Enhanced Federal match rate	New benefit	Assumed proportion of families in each family size	Federal share of cost
2	\$250	0.50	\$8	0.625	\$258	0.20	0.1008
3	300	.50	9	.625	309	.40	.2015
4	350	.50	11	.625	361	.20	.1008
5	400	.50	12	.625	412	.10	.0504
6	450	.50	14	.625	464	.10	.0504
New enhanced Federal matching rate for State .....							.5039

The enhanced match is calculated using the benefit payment for families with no other income. This simplifies the calculation and targets the enhanced match to actual changes in payments. The enhanced match is not to be calculated on the basis of total payments relative to a base period. Changes in total payments are a function of population growth, unemployment, per capita income, changes in the payment standard, and many other factors. A

change in total payments does not necessarily indicate an increase in benefits.

The Committee recognizes that States use a variety of formulas to calculate payments to families with no other income. The enhanced match would apply to actual increases in payments to families. So, for example, it would not apply to an increase in the need standard that does not result in actual payment increases. Similarly, in those States paying shelter costs to a maximum, the enhanced match would apply only to increases in the non-shelter portion of the payment standard since an increase in the shelter portion does not always result in a benefit increase.

Some States establish different need and payment standards for regions within the State. The implementing regulations should take this into account. If a State increases payments by different amounts in the different regions, an average—weighted by the number of families in each jurisdiction—will achieve the desired result mathematically.

Finally, the Committee intends that the additional payments to States that result from the enhanced match provision be made at the same time and on the same basis as the regular Federal share of payments is paid to the States. The family size weighting factor would be calculated annually. In addition, if a State increases benefits on the first day of a quarter, the enhanced match would be paid from that date; any increases which take effect during a quarter, would receive the enhanced match on the first day of the following quarter.

In addition to the enhanced match provision, States would be prohibited from lowering AFDC benefits below the nominal level in effect on June 10, 1987. This will ensure that States do not gain financially by lowering benefit levels and later taking advantage of the enhanced match provisions. Benefit increases which result from any law enacted on or before June 10, 1987 which take effect on or before September 30, 1988 could not be lowered. The enhanced match would apply, however, to any increases which take effect after September 30, 1988, regardless of when the increase was or is legislated.

A study and report of the implementation and effect of the enhanced match would be required three and five years after the date of enactment. The study would be conducted by the Department of Health and Human Services.

Effective Date

The effective date would be October 1, 1988.

3. *Study of Minimum Benefit Proposals* (Sec. 703 of the bill).

Present Law

No provision.

Explanation of Provision

The bill would require a study by the National Academy of Sciences of alternative minimum benefit proposals for low-income families with children, giving particular attention to what an appropriate national minimum benefit might be and how it should be calculated.

The study would give consideration to alternative minimum benefit proposals, including those that would link benefit levels to a family living standard, national median income, State median income, and the poverty level. The study would also take into account the probable impact of a national minimum benefit on individuals and on State and local governments. A report would be due 24 months after the date of enactment.

Effective Date

The effective date would be October 1, 1987.

H. TITLE VIII.—MISCELLANEOUS PROVISIONS

1. *AFDC-Food Stamp Coordination* (Sec. 801 of the bill).

Present Law

No provision.

Explanation of Provision

The bill would establish a commission to study and make recommendations on AFDC-Food Stamp coordination. A report would be required within one year after enactment with recommendations for legislative, administrative and other actions.

The Committee expects that the commission will make an exhaustive review of the existing AFDC and food stamp rules and that it will, at a minimum, review and make recommendations on the following areas: the definition and amount of allowable resources; treatment of lump sum benefits; treatment of student earnings; value of the exempt vehicle; treatment of strikers; treatment of child support; frequency of work registrations and exemptions; circumstances and procedures for recouping overpayments; monthly reporting and retrospective budgeting policies; time frames for fair hearings; verification requirements; requirements for recipient notice; application requirements; recertification and redetermination requirements; rules for reporting changes in circumstances; treatment of aliens; treatment of life insurance and burial plans; treatment of assets policies; treatment of student grants, scholarships and loans; treatment of training allowances; treatment of self-employment income; fraud control policies; and penalties for non-compliance.

Effective Date

The effective date would be October 1, 1987.

2. *Uniform Reporting Requirements* (Sec. 802 of the bill).

Present Law

No provision.

Explanation of Provision

The bill would require the Secretary to establish uniform reporting requirements needed to ensure that sections 402(a)(37), 402(h) and 417 of the Social Security Act are being effectively implemented. These sections deal with the Medicaid transition, child care ar-

rangements and dollar limits, increases in the earned income disregards, and special provisions for families headed by minor parents.

Effective Date

The provision would be effective on enactment.

3. *State Reports on Expenditure and Use of Social Service Funds* (Sec. 803 of the bill and Sec. 2006 of the Social Security Act).

Present Law

Each State is required to prepare reports on the activities carried out with funds available under Title XX of the Act. Reports are to be in such form, contain such information, and be of such frequency (but not less than every 2 years) as the State finds necessary to provide an accurate description of such activities, to secure a complete record of the purposes for which funds were spent, and to determine whether funds were expended in a manner that is consistent with the State plan.

Explanation of Provision

The bill would establish uniform reporting requirements for the social services block grant authorized under Title XX of the Act.

Effective Date

The provision is effective on the date of enactment.

4. *Evaluation of Employment, Training, and Work Programs* (Sec. 804 of the bill).

Present Law

The Secretary has general evaluation authority.

Explanation of Provision

The bill establishes an interagency panel to design, implement and monitor a series of implementation and evaluation studies to assess the methods and effects of the work, education and training programs established by the bill. The panel is required to report annually for five years.

Effective Date

The interagency panel would be established within 3 months after the date of enactment.

5. *Demonstration Projects on Housing the Homeless* (Sec. 805 of the bill).

Present Law

No provision.

Explanation of Provision

The bill would authorize 3 State demonstration projects testing whether emergency assistance payments to homeless AFDC/FSP families would be reduced through construction and renovation of permanent housing. It would authorize \$15 million for each of 5 fiscal years.

Federal funds spent on construction and renovation per unit would be limited to the cost of housing a family in a temporary

shelter for one year. The State matching rate would be 10 percentage points above the current State AFDC matching rate. Over 10 years, the Federal cost of the grants for renovation and construction would be required to be less than the cost of temporary shelters over the same time period.

Effective Date

The effective date would be October 1, 1987.

6. *New York State Child Support Demonstration Project* (Sec. 806 of the bill).

Present Law

No provision.

Explanation of Provision

The bill permits the Secretary to approve a demonstration project in New York State for the purpose of testing its child support supplement program as an alternative to the existing AFDC/FSP program. The demonstration project would continue for 5 years.

Specifically, the Child Support Supplement Program (CSSP), would test alternative approaches to enhancing parental responsibility for child support and providing economic incentives to custodial parents to obtain child support orders and employment.

CSSP would be designed so that modest wages from a less than full-time job, combined with child support payments or CSSP benefits, will raise a custodial parent's income to a level equal to or greater than the comparable AFC/FSP benefit. CSSP would provide stronger work incentives than AFDC, because publicly provided benefits would be reduced or "taxed away" at a lower rate.

Eligibility for the program would be open to AFDC recipients with support orders and some other custodial parents, also with support orders, who will be defined by the State as part of the demonstrations. This will allow the State to test various combinations of benefit levels and benefit reduction rates to see how people actually respond to the program in terms of going to work or increasing their earnings. Federal reimbursement to the State, which would be in an amount at least equal to what the State would have received if the family were instead receiving AFDC, will be paid for AFDC recipients who opt into the demonstration program and for CSSP participants who would otherwise be eligible for AFDC/FSP benefits.

Effective Date

The provision would be effective on enactment.

7. *Demonstration of Family Independence Program in State of Washington* (Sec. 807 of the bill).

Present Law

No provision.

Explanation of Provision

The bill would authorize a demonstration of the Family Independence Program (FIP) in the State of Washington for a period not to exceed 5 years.

The FIP would maintain the entitlement nature of the AFDC program. Under FIP, no family would receive less than would be available under current AFDC rules. FIP would apply to new applicants; current AFDC recipients could switch to FIP. The initial eligibility criteria would be similar to AFDC. FIP participants could enroll in: (a) a high school or a GED program; (b) a community or 4-year college; (c) classroom or on-the-job training; or (d) part- or full-time employment. Current due process protections would be maintained.

The "benchmark standard" for benefits under FIP would be equal to the current AFDC benefit plus the cash equivalent value of food stamps. The current level in Washington is approximately 85 percent of the poverty level. FIP enrollees in education and training would receive cash assistance equal to 105 percent of the benchmark standard. Those working part-time would receive at least 115 percent of the benchmark standard. Those working full-time would receive at least 135 percent of the benchmark standard. Also, FIP would provide full child care and medical assistance for enrollees and would pay 75 percent of these costs for one year after family income exceeded 135 percent of the benchmark standard.

Effective Date

The effective date would be October 1, 1987.

8. *Include American Samoa in AFDC/FSP Program* (Sec. 810 of the bill and Sec. 1101(a)(1) of the Social Security Act).

Present Law

No provision.

Explanation of Provision

The bill would add American Samoa to the AFDC/FSP program, subject to the approval of a State plan by the Secretary and under the same terms and conditions as other territories.

Effective Date

The effective date would be October 1, 1987.

9. *Sanction for Failure to Complete Treatment for Drug or Alcohol Abuse.* (Section 809 of the bill).

Present Law

No provision.

Explanation of Provision

Upon notice from a treatment program, Title IV-A benefits for any AFDC/FSP recipient who has been medically determined to be a drug addict or alcoholic and who refuses to participate in and complete a drug or alcohol abuse treatment program would be terminated.

Effective Date

October 1, 1987

10. *Study of Housing Problems* (Section 808 of the bill).

Present Law

No provision.

Explanation of Provision

An interagency working group staffed by the Department of Health and Human Services and the Department of Housing and Urban Development would report to Congress the results of a study of housing problems experienced by AFDC recipients, particularly transient families. Data on the number of evictions, the available housing stock and successful innovative programs would be included. The study would be due within six months after the date of enactment and would include recommendations for action.

Effective Date

On enactment.

11. *Increased Funds for the Territories* (Section 811 of the bill; section 1108 of the Social Security Act).

Present Law

Under current law, welfare funds for the territories are limited to the following annual amounts: Commonwealth of Puerto Rico: \$72 million; Virgin Islands: \$2.4 million; Guam: \$3.3 million. These funds are used to provide aid to families with dependent children and to the aged, blind and disabled. The Federal government pays 75 percent of these costs up to the maximum specified above. The ceilings were last increased in 1979.

Explanation of Provision

Under the bill, the ceiling on funds to the Commonwealth of Puerto Rico, Guam and the Virgin Islands would be increased and distributed as follows: Commonwealth of Puerto Rico, \$9.27 million; Guam, \$425,000; and Virgin Islands \$309,000. In addition, a study would be conducted to identify ways to correct the obvious imbalances that exist among the territories, and between the territories and the States.

Effective Date

The provision is effective on October 1, 1987.

III. BUDGET EFFECTS OF THE BILL

A. COMMITTEE ESTIMATE

In compliance with clause 7(a) of Rule XIII of the Rules of the House of Representatives, the following statement is made: the Committee agrees with the estimate prepared by the Congressional Budget Office (CB) which is included below.

B. STATEMENT REGARDING NEW BUDGET AUTHORITY AND TAX EXPENDITURES

In compliance with clause 2(1)(3)(B) of Rule XI of the Rules of the House of Representatives, the Committee states that the letter from the Congressional Budget Office indicates that there is a change in budget authority and that there are no new or increased tax expenditures as a result of the bill.

C. COST ESTIMATE PREPARED BY THE CONGRESSIONAL BUDGET OFFICE

In compliance with clause 2(1)(3)(C) of Rule XI of the Rules of the House of Representatives requiring a cost estimate prepared by the Congressional Budget Office, the following report prepared by CBO is provided.

U.S. CONGRESS,
U.S. CONGRESSIONAL BUDGET OFFICE,
Washington, DC, June 17, 1987.

Hon. DAN ROSTENKOWSKI,
Chairman, Committee on Ways and Means,
U.S. House of Representatives, Washington, DC.

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the attached cost estimate for H.R. 1720, the Family Welfare Reform Act of 1987, as ordered reported by the House Committee on Ways and Means on June 10, 1987.

If you wish further details on this estimate, we will be pleased to provide them.

With best wishes,
Sincerely,

JAMES BLUM
(For Edward M. Gramlich, Acting Director).

CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

1. Bill number; H.R. 1720 amended.
2. Bill title: Family Welfare Reform Act of 1987.
3. Bill status: As ordered reported by the House Committee on Ways and Means, June 10, 1987.
4. Bill purpose: To replace the existing AFDC program with a new Family Support Program which emphasizes work, child support, and need-based family support supplements, to amend title IV of the Social Security Act to encourage and assist needy children and parents under the new program to obtain the education, training, and employment needed to avoid long-term welfare dependence, and to make other necessary improvements to assure that the new program will be more effective in achieving its objectives.
5. Estimated cost to the Federal Government:

[By fiscal years, in millions of dollars]

	1988	1989	1990	1991	1992
Direct spending:					
Budget authority	185	510	1,316	1,792	2,057
Estimated outlays	185	510	1,316	1,792	2,057

[By fiscal years, in millions of dollars]

	1988	1989	1990	1991	-1992
Amounts subject to appropriation action:					
Estimated authorization level	40	11	-108	-199	-282
Estimated outlays	7	10	-102	-193	-277
Total spending:					
Budget authority/estimated authorization level	225	521	1,208	1,593	1,775
Estimated outlays	192	520	1,214	1,599	1,780

Most of the spending in H.R. 1720 is direct spending for the entitlement programs Aid to Families With Dependent Children (AFDC) and Medicaid. Estimated authorization levels are shown for two types of spending: that in the Food Stamp program and that for demonstration projects, studies, and interagency panels or commissions.

While the bill would change the name of the AFDC program to the Family Support Program, this estimate continues to use the name AFDC. Spending in the Child Support Enforcement Program is shown under AFDC because they are in the same budget account.

Basis of Estimate

For purposes of the estimate, CBO has assumed enactment of the bill prior to the beginning of fiscal year 1988. The bill has eight titles, which are discussed in turn. Only major provisions in each title are discussed, but a detailed table shows federal outlays for each provision with cost implications (see pp. 3-9).

Title I—National Education, Training, and Work (Network) Program.—The bill would establish a new work program for AFDC recipients, to be operated by state welfare agencies. Non-exempt recipients would be required to participate in a work program as state resources permitted. Certain families with children aged three or older would be designated as priority groups—including those with teenage parents, parents who were teenagers when their first child was born, those who had been receiving AFDC for two years or more, and those with children under six years of age. States would be required to offer skills training, job search programs, various educational programs, and counseling. They could also offer on-the-job training, work supplementation, and Community Work Experience (workfare) Programs (CWEP). Prior to participation in a work program, assessments of recipient skills would be required as would written agreements between the state agencies and clients.

Additional funding for these work programs would result from an increase in the federal share of spending above current law. The bill would provide for a federal spending match of 50 percent of administrative expenditures associated with work programs, such as case management, and for a 65 percent match of other expenditures directly associated with the work programs. Under current law, the federal match is 50 percent and education and training expenditures are not matched at all in the IV-A (AFDC) program.

These match rates could be increased following the establishment of performance standards one year after enactment.

The program would be effective on October 1, 1989, but states, if they chose, could take part in the program after regulations were proposed. CBO has assumed that 10 percent of the caseload would be included in Network in 1988 and 40 percent in 1989, for an average two-thirds of each year.

ESTIMATED COST TO THE FEDERAL GOVERNMENT OF H.R. 1720 AS AMENDED

[Outlays, by fiscal year, in millions of dollars]

	1988	1989	1990	1991	1992
TITLE I					
Establish network (50/65 percent match):					
AFDC.....	15	100	290	295	300
Food stamps.....	(1)	-2	-10	-15	-25
Medicaid.....	(1)	-1	-5	-10	-20
Total.....	15	97	275	270	255
Alter sanctions for 2-parent families: AFDC.....	(1)	1	3	4	4
Authorize demonstrations on 100-hour rule: AFDC.....	3	15	20	25	30
Authorize demonstrations on education and training for children:					
AFDC.....	6	12	12	12	12
Authorize demonstrations on early childhood development: AFDC.....	(1)	3	3	3	.....
Subtotal title I:					
AFDC.....	24	131	328	339	346
Food stamps.....	(1)	-2	-10	-15	-25
Medicaid.....	(1)	-1	-5	-10	-20
Total.....	24	128	313	314	301
TITLE II					
Raise child care cap to \$175/\$200 and alter child care reimbursement:					
AFDC.....	8	8	11	11	11
Food stamps.....	-4	-4	-5	-5	-5
Total.....	4	4	6	6	6
Reimburse child care for 6 months after leave AFDC: AFDC.....	105	145	190	195	200
Authorize demonstrations on AFDC mothers as day care workers:					
AFDC.....	1	2	2	2	2
Authorize demonstrations on the asset test for cars: AFDC.....	(1)	5	15	15	15
Subtotal title II:					
AFDC.....	114	160	218	223	228
Food stamps.....	-4	-4	-5	-5	-5
Total.....	110	156	213	218	223
TITLE III					
Increase earnings disregards to \$100 and 25 percent of earnings:					
AFDC.....		40	80	85	90
Food stamps.....		-15	-30	-30	-35
Medicaid.....		15	40	45	45
Total.....		40	90	100	100
Index the \$100:					
AFDC.....		2	15	20	30
Food stamps.....		-1	-5	-10	-15
Total.....		1	10	10	15
Disregard EITC:					
AFDC.....		15	20	20	20

ESTIMATED COST TO THE FEDERAL GOVERNMENT OF H.R. 1720 AS AMENDED—Continued

[Outlays, by fiscal year, in millions of dollars]

	1988	1989	1990	1991	1992
Food stamps		-8	-10	-10	-10
Total		7	10	10	10
Disregard JTPA income of minor parents: AFDC		1	2	2	2
Subtotal title III:					
AFDC		58	117	127	142
Food stamps		-24	-45	-50	-60
Medicaid		15	40	45	45
Total		49	112	122	127
TITLE IV					
Provide Medicaid for 6 months to persons with earnings after leave					
AFDC: Medicaid		50	110	115	130
Subtotal title IV:					
Medicaid		50	110	115	130
TITLE V					
Mandate child support guidelines:					
AFDC		-25	-65	-105	-138
Food stamps		-3	-10	-15	-20
Medicaid		-2	-5	-10	-17
Total		-30	-80	-130	-175
Mandate increases in paternity establishment: AFDC	3	12	-2	-2	-2
Impute support in paternity cases for purposes of computing					
incentive payments: AFDC		16	18	20	21
After \$50 disregard for months due: AFDC		5	5	5	5
Establish standards for response time: AFDC		(¹)	(¹)	(¹)	(¹)
Mandate automated tracking and monitoring systems: AFDC	5	5	5	35	35
Repeal 90 percent match on ADP (effective Oct. 1, 1992): AFDC					
After incentive payments by excluding interstate demonstration					
costs: AFDC		1	1	1	1
Reduce match for States not in compliance with 1984 amendments					
and increase match for States requiring immediate wage					
withholding:					
AFDC	-6	-9	7	10	13
Food stamps	0	-1	-1	-2	-3
Medicaid	0	(¹)	(¹)	-2	-2
Total	-6	-10	6	6	8
Require data collection on CSE applicants: AFDC	(¹)	(¹)	(¹)	(¹)	(¹)
Permit access to DOL INTERNET system: AFDC	(¹)	(¹)	(¹)	(¹)	(¹)
Authorize demonstration projects on visitation: AFDC		5	5	5	5
Authorize demonstration projects on work programs for fathers who					
can't pay: AFDC		5	5	5	5
Study child-raising costs: AFDC	(¹)	(¹)			
Establish Commission on Interstate Commission on Interstate					
Enforcement: AFDC	(¹)				
Subtotal title V:					
AFDC	2	15	-21	-26	-55
Food stamps		-4	-11	-17	-23
Medicaid		-2	-5	-12	-19
Total	2	9	-37	-55	-97
TITLE VI					
Mandate Unemployed Parent Program:					
AFDC			130	245	275

ESTIMATED COST TO THE FEDERAL GOVERNMENT OF H.R. 1720 AS AMENDED—Continued

[Outlays, by fiscal year, in millions of dollars]

	1988	1989	1990	1991	1992
Food stamps			-45	-80	-95
Medicaid			140	275	300
Total			225	440	480
Provide special case managers for families with minor parents:					
AFDC	15	15	15	15	15
Require minor parents to live with parents and discontinue counting of grandparents' income:					
AFDC	25	25	25	25	25
Food stamps	-12	-12	-12	-12	-12
Medicaid	2	2	2	2	2
Total	15	15	15	15	15
Study AFDC-UP: GAO	(¹)				
Subtotal title VI:					
AFDC	40	40	170	285	315
Food stamps	-12	-12	-57	-92	-107
Medicaid	2	2	142	277	302
Total	30	30	255	470	510
TITLE VII					
Require annual evaluations of need and payment standards: AFDC	1	1	1	1	1
Raise Federal match 25 percent on increases in benefit levels:					
AFDC		80	280	490	705
Food stamps		-15	-55	-100	-145
Total		65	225	390	560
Study alternative minimum benefit proposals (NAS): AFDC	1	1			
Study match rate increase (DHHS): AFDC	(¹)	(¹)	(¹)	(¹)	(¹)
Subtotal title VII:					
AFDC	2	82	281	491	706
Food stamps		-15	-55	-100	-145
Medicaid					
Total	2	67	226	391	561
TITLE VIII					
Include American Samoa in Family Support Program: AFDC	1	1	1	1	1
Increase AFDC caps for territories: AFDC	10	10	10	10	10
Appoint advisory group and require report on the coordination of AFDC and food stamp policies: AFDC	(¹)				
Eliminate assistance for families who drop out of drug or alcohol treatment programs: AFDC	(¹)	(¹)	(¹)	(¹)	(¹)
Require annual reporting in social services: Social services	0	0	0	0	0
Require uniform reporting: AFDC	1	1	1	1	1
Create interagency panel and authorize evaluations of employment and training programs: AFDC	4	4	4	4	4
Create interagency panel on low-income housing problems: AFDC	(¹)	(¹)	(¹)	(¹)	(¹)
Authorize demonstrations on shelter for homeless: AFDC	8	15	6	8	9
Authorize Washington State demonstration: AFDC	(¹)	(¹)	(¹)	(¹)	(¹)
Authorize New York State demonstration: AFDC	(¹)	(¹)	(¹)	(¹)	(¹)
Subtotal title VIII: AFDC	24	31	22	24	25
Total:					
AFDC	206	517	1,115	1,463	1,707
Food stamps	-16	-61	-183	-279	-365
Medicaid	2	64	282	415	438
Total	192	520	1,214	1,599	1,780

¹ Less than \$500,000.

Table 1 summarizes the effects of Network, as estimated by CBO. Federal costs would rise from \$16 million in 1988 to \$370 million in 1992 while savings would rise from \$1 million to \$115 million in 1988 to 1992, respectively. Net costs would rise to \$275 million in 1990 and then fall gradually as savings continued to build up over time. Total costs would be virtually identical to federal costs because states would have insignificant increases in costs under this bill. States would share in welfare savings, however, so that total savings would be higher than federal savings. Net total costs would rise to \$255 million in 1990 and then fall fairly rapidly to \$180 million in 1992.

TABLE 1.—ESTIMATED EFFECTS OF NETWORK

	1988	1989	1990	1991	1992
By fiscal year, in millions of dollars:					
Federal costs.....	16	105	310	350	370
Federal savings.....	-1	-8	-35	-80	115
Net Federal costs.....	15	97	275	270	255
State costs.....	(¹)	(¹)	5	5	5
State savings.....	(¹)	-5	-25	-50	-80
Net State savings.....	(¹)	-5	-20	-45	-75
Total costs.....	16	105	315	355	375
Total savings.....	-1	-13	-60	-130	-195
Net total costs.....	15	92	255	225	180
By fiscal year, in thousands:					
Number of additional participants in work program ²	5	35	100	110	115
Number of families off of AFDC as a result of Network.....	(³)	2	5	15	25

¹ Less than \$500,000.

² These are participants in work programs due to Network, and are additions to participants under current-law spending levels.

³ Less than 500 families.

The additional spending on work programs under Network would permit 5000 AFDC recipients to be put through work programs in 1988 and around 100,000 a year to participate when the program was fully implemented (see Table 1). As a result of their participation in the work programs, an estimated 25,000 families would be off of AFDC by 1992.

These estimates are complex and uncertain in a number of respects. The basis of the estimates of costs is discussed first, followed by a description of the methodology used in estimating savings.

Estimated costs of Network follow from the increase in the federal match rate for spending on work programs. CBO has estimated what spending on work programs in IV-A will be under current law. Given this spending, the increased federal match rate would

result in savings to state and local governments. The bill would require that states maintain spending on work programs. Given state spending, then, the increase in spending—both federal and total—would be determined by the new match rates. For example, if states were spending \$50 million on work programs with a federal match of 50 percent, total spending would be \$100 million. With a federal match of 61 percent, state spending would remain at \$50 million but total spending would rise to \$128 million and federal spending to \$78 million. In its estimates, CBO used a 61 percent average match rate, which was based on an estimate that 25 percent of Network spending would be for administration—at a 50 percent match—and 75 percent would be for work program costs—at a 65 percent match. CBO's estimate of spending may be conservative in that it does not allow for a rise in state spending in response to the lower state match rates (given the maintenance of effort provision). On the other hand, states might be able to substitute the new federal funds for some of their projected spending increases in future years, which would reduce spending from CBO's estimate.

The estimated rise in total spending on work programs, after several adjustments, was then used to determine the number of new participants in work programs as a result of Network and any savings in welfare resulting from that participation. Total spending available for placing participants in work programs was reduced by spending on assessments of participants, written agreements between participants and state agencies, and special case managers. Based on data from California's work program, GAIN, CBO estimated that the cost of an assessment and agreement would be \$250 per participant. Adding costs for special case managers and an orientation program resulted in an estimated cost of \$285 per participant, or about \$100 million a year in total spending (\$50 million in federal spending) on these services when Network was fully implemented. Available spending was further reduced by fairly small amounts for child care for families with children under the age of six and for other work expenses. Child care for families with older children was included in the base cost of work programs discussed below.

To estimate the number of new participants in work programs, available spending was divided by an estimated cost per work program participant. The cost per participant was estimated to be \$1855 in 1988 and \$2260 in 1992, as shown in Table 2. This average cost was based on estimated costs of an education and training program and of other types of work programs, such as job search or CWEP. For purposes of the estimate, CBO assumed that 40 percent of participants would be in education and training programs and that 60 percent would be in other work programs. The percentage in education and training is somewhat higher than the current-law percentage because spending on education and training is not matched currently in the IV-A program.

TABLE 2.—ESTIMATED TOTAL COSTS PER NETWORK PARTICIPANT ¹

[By fiscal year, in dollars]

	1988	1989	1990	1991	1992
Education and training programs	2,500	2,630	2,765	2,900	3,040
Other work programs	1,425	1,500	1,580	1,655	1,735
Average cost ²	1,855	1,950	2,050	2,155	2,260

¹ These costs do not include costs of assessments, written agreements, or extra child care for young children.² Average costs assume 40 percent of participants would be in education and training and 60 percent would be in other work programs.

The basis of the estimated per participant costs for other work programs shown in Table 2 was published studies by the Manpower Demonstration Research Corporation (MDRC) of findings on AFDC work programs in selected states. These studies, which included both costs and savings, were based on an experimental design that compared persons in work programs with persons not in work programs, permitting valid findings of the effects of the work programs. Final studies were available for programs in five states, or portions of states: Arkansas, California, Maryland, Virginia, and West Virginia. CBO estimates were based on unweighted averages of costs or savings in four states, excluding West Virginia. West Virginia was excluded because its work program—participation in CWEP for a person's length of stay on AFDC—is not representative of the programs most other states provide; in addition, the unusually high unemployment rate in the state makes program savings unrepresentative. The MDRC findings on costs were adjusted in several ways. Most importantly, they were doubled to convert them from costs per experimental to costs per participant. Based on the MDRC studies, it appeared that about one-half of experimentals were never placed in work programs. In addition, a small amount was added for registration costs (because the "control" group usually included WIN costs), and the estimates were adjusted for increases in prices or wages by the implicit GNP deflator for state and local purchases.

Estimated costs of education and training programs shown in Table 2 were based on an average of costs in three programs: the federal Job Training Partnership Act program (using costs for AFDC participants); the education and training portions of the Massachusetts Employment and Training (ET) Choices program for AFDC recipients; and the training portion of the Maryland AFDC program, as reported by MDRC.

As participants in work programs find jobs, are sanctioned (i.e., removed from AFDC for failing to participate in the work program), or leave the program rather than participate, savings accrue in welfare programs. Because savings for a single participant can continue for a period of years, aggregate savings for all participants build up over time. How fast they build up depends on assumptions made about the "decay" of savings, that is, about whether and how fast participants lose jobs or return to AFDC for other reasons. The CBO estimates assumed a decay rate of 22 percent a year, beginning in the third year after participation in the work program. Savings in the first two years were reported in the MDRC studies and any decay was incorporated in them. The decay assumption means that in the third year savings are 78 percent of

what they would have been without decay, in the fourth year 61 percent, and in the fifth year 48 percent.

The CBO estimated incorporated savings in AFDC benefits and administration, in Food Stamps, and in Medicaid benefits and administration. Unlike the MDRC studies, no savings were shown for increased revenues—income tax or Social Security tax—because these work programs would probably not result in the creation of any new jobs.

Savings per participant (federal and state) are shown in Table 3. As with costs, they were based on the MDRC findings. For AFDC and Food Stamp benefits, savings per experimental were reported in the MDRC studies. These numbers were doubled to adjust from per experimental to per participant (as discussed above for costs), and inflated over time by the rate of increase in average benefit levels in the two programs. Another adjustment was made to deal with estimating savings for education and training programs. The state programs studied by MDRC included virtually no education and training. There are, in fact, no pertinent studies of the effects of education and training programs on welfare benefits. Because CBO did not want to influence comparisons of different bills with different mixes of training and other work programs in the absence of any valid data, it was assumed that savings per dollar spent on work programs would be kept the same for training, education, and other work programs. Thus, to estimate savings for education and training programs, reported savings for other work programs were increased by 1.75 (the ratio of per participant costs for education and training programs to costs for other work programs).

TABLE 3.—ESTIMATED TOTAL SAVINGS PER NETWORK PARTICIPANT ¹

[By fiscal year, in dollars]

	1988	1989	1990	1991	1992
AFDC benefits	380	395	410	425	440
AFDC administration.....	55	55	60	60	65
Food stamp benefits.....	80	80	85	90	95
Medicaid.....	95	120	140	150	160

¹ Savings are before any decay due to loss of jobs or return to welfare programs for other reasons. Also, savings are for the second year after participation and beyond; first-year savings are lower.

Estimated savings for AFDC administration and for Medicaid were based in part on the MDRC findings. MDRC reported the percentages of experimentals who left AFDC: 2.5 percent in the first year and 3.7 percent in the second year. Adjusted as above by doubling and inflating for the share in education and training, the CBO estimate was 6.5 percent and 9.6 percent in years one and two, respectively. For each family off of AFDC—a small proportion of participants—administrative savings were calculated to be \$560 in 1988 and \$655 in 1992. Also, for somewhat over half of the families off of AFDC, Medicaid savings would accrue. For those families who would lose Medicaid, annual savings (federal and state) were estimated to be \$1900 in 1988 and \$2570 in 1992. Aggregate federal savings for AFDC, Medicaid, and the Food Stamp program are shown in the detailed table of outlays by title of the bill.

Title II—Day Care, Transportation, and Other Work-Related Expenses. The major provision in Title II would reimburse child care costs for up to six months for families who left AFDC with earned income. States would set sliding scale fees, based upon the family's ability to pay. Reimbursements would be limited to \$175 per child aged two and over, and \$200 per infant, with these limitations reduced to reflect the family's copayment. The title would be effective October 1, 1987, with a delayed implementation in states where the state legislature was not in regular session when the law was enacted. The transitional child care provision is estimated to cost \$105 million in 1988, rising to \$200 million in 1992.

CBO estimated that 1.0 million families would be eligible for transitional child care once all states implemented the program. This number was calculated as follows: 1.9 million families leave AFDC each year; 60 percent of them are estimated to leave with earnings; and 90 percent remain off of AFDC for the entire six months. The 60 percent was based on data in a study by David Ellwood ("Working Off of Welfare: Prospects and Policies for Self-Sufficiency of Women Heading Families," Institute for Research on Poverty, Discussion Paper No. 803-86, March 1986).

Of those families leaving the program with earnings, CBO assumed that 400,000 had young children and 600,000 had school-age children. The average 1988 costs were estimated to be \$656 per family with children under six, and \$108 per family with children six and over. These costs, which represent six months of child care, were based on estimates of the cost per child, the proportion of children in paid care, the number of children per family, and the size of the family copayment, as described below.

Monthly child care costs were estimated to average \$129 for children under six and \$91 for older children in 1988, rising to \$139 and \$98 in 1992. Average costs per child were based on the cost for child care vouchers in the Massachusetts ET Choices program, costs budgeted for the California GAIN program, and the median rates reported in a recent Census Bureau study on child care arrangements ("Who's Minding the Kids?," Series P-70, No. 9). Data from Massachusetts and California were reduced considerably because both states allow much higher payments for child care under Title XX than do most other states. Costs for children under six were also reduced—by 13 percent in 1988 and 21 percent in 1992—to reflect the effect of the caps of \$175 and \$200 per month. The caps were estimated to have a smaller effect on school-age child care.

Data from the Census Bureau study cited above show that 37 percent of children under five with single mothers working part-time were cared for by non-relatives (including group care); 58 percent were cared for by relatives; and 6 percent were cared for by parents or kindergarten. For school-age children, 7 percent of care was provided by non-relatives, 14 percent by relatives, and 79 percent by parents, schools, or children themselves. Using these data and the CBO assumption that all of the non-relative care and half of the relative care would be paid care CBO estimated that 65 percent of the young children and 14 percent of the school-age children would require reimbursement for paid child care arrangements. These estimates are uncertain, but are supported by an-

other Census Bureau study ("Child Care Arrangements of Working Mothers: June 1982," Series P-23, No. 129) which reported that 64 percent of mothers who were working part-time and had a child under five paid cash for their principal child care arrangements. Costs for transistional care were reduced by 5 percent (below the costs assumed for the child care provided to Network participants) to reflect the fact that many women who leave AFDC are married and married women report lower use of formal child care than do single women.

CBO estimated that families with at least one child under six had an average of 1.3 young children and .5 children six or older. Other families were estimated to have an average of 1.8 children aged six or older.

The average costs to the government assumed a copayment of \$24 per month by the family. Families were estimated to have an average annual income of \$9,100, and be charged a 3 percent copayment. The \$9,100 average income for families leaving AFDC was based on average earnings of ET graduates, median wages reported by GAO ("Work and Welfare", January 1987, HRD-87-34), and average earnings reported by David Ellwood (op.cit.). Copayments were assumed to follow the sliding scales currently being used for Title XX child care. Of fourteen states contacted in a phone survey, six states reported charging nothing for a family of three with an income of \$8,500 (\$9,100 in 1988 dollars). The remaining states charged from 1 percent to 6 percent of income for one child in care, and 1 percent to 11 percent for two children in care. The overall average was 2.7 percent for one child and 3.5 percent for two children.¹

Title III—Real Work Incentives.—In AFDC, benefits for those with earnings are determined after disregarding a portion of the earnings; the higher the disregards, the higher are benefits and the number of beneficiaries. Under current law, these monthly disregards include the sum of: \$75, up to \$160 per child for child care, \$30 for 12 months, and one-third of remaining earnings for four months. Effective October 1, 1988, the bill would increase the disregards for those on AFDC for more than four months by providing a disregard of \$100 and one-quarter of any remaining earnings. Title II of the bill would increase the child care deduction from \$160 to \$175 or \$200 for a child under the age of two and take the deduction after, rather than before, the one-quarter disregard.

These changes are estimated to bring 50,000 families onto AFDC and to benefit most of the 230,000 families with earnings already on AFDC. These estimates were based on simulations using a 1979 AFDC Characteristics Survey which has been adjusted to allow for legislative changes since 1979. The estimate of new families is similar to the result—56,000 newly eligible, participating families—using TRIM, a micro-simulation model discussed later under Title VI. CBO estimates the costs of these projected changes to be \$40 million in 1989 and \$100 million in 1992, including Medicaid costs for the new AFDC recipients and Food Stamp savings due to the rise in AFDC incomes. The 1989 cost was reduced by the provision noted above that postponed the effective date for states until after their legislatures had met. The cost estimate was not increased to allow for more earners on AFDC as a result of Network nor de-

creased to account for potential increases in work effort as a result of the reduced "tax" rate on earnings.

The bill would require further that the \$100 earnings deduction be indexed in the same manner as Social Security benefits. Increases would be effective on February 1 of each year. Based on CBO's economic assumptions of January 1987, the \$100 would rise to \$104 in 1989 and \$118 in 1992. CBO estimates the cost of this indexing to be \$1 million in 1989 and \$15 million in 1992, after allowing for Food Stamp offsets.

As provided in the bill, income from the Earned Income Tax Credit would be disregarded in determining AFDC benefits. CBO estimates the cost to be \$7 million in 1989 and \$10 million in 1992, after allowing for offsets that would lower the costs of the Food Stamp program.

Title IV—Transitional Services for Families.—This title would provide that families with earnings who left AFDC would be eligible for Medicaid for six months, effective as of October 1, 1988, (and later for some states until their legislatures were in session). CBO estimated that about 800,000 families per year would receive some additional Medicaid benefits. About one-half of the families would receive an additional two months of coverage over current law and the remainder the full six months. Federal costs are estimated to be \$130 million by 1992.

This estimate was developed in two parts. First, the number of families who would receive the six transitional months was estimated along with their Medicaid costs. This estimate was reduced by a projection of Medicaid costs for these families under current law. Each part is discussed in turn.

CBO estimates that the number of families who would receive the additional six months of Medicaid would be about 1.2 million per year. Some 1.9 million families leave AFDC each year (not counting those families who leave because their youngest child is too old to be eligible for AFDC). Based on data in a study by David Ellwood (op. Cit.), CBO estimated that 60 percent of these families would have some earnings when they left AFDC, making them eligible for the transition benefits. The estimate was increased by the number of families who were estimated to leave AFDC because of Network and by the number of new two-parent families leaving AFDC each year with the mandating of the AFDC-Unemployed Parent program in all states.

Medicaid costs for these families would depend on whether they had private health insurance through their jobs. Based on data from the Current Population Survey—a household survey of the Bureau of the Census—CBO estimated that 55 percent of the families would have access to health insurance. Data do not exist on Medicaid costs for those with private health insurance. CBO assumed that 85 percent of the families would buy into or receive the health insurance and that their Medicaid costs would be one-third of "full" costs, giving a 28 percent reduction for those with health insurance. Federal Medicaid costs (for those without health insurance) were estimated to be \$1,140 in 1989 and \$1,425 in 1992, amounts for "healthy" families. Costs were reduced by about 10 percent to allow for recidivism and for loss of Medicaid by those who voluntarily left their jobs.

Current-law Medicaid cost for families leaving AFDC were subtracted from the cost of the six-month extension. Current-law treatment of families leaving Medicaid with earnings is complex. Those who leave because their hours of work or their earnings increases receive Medicaid for four months. Those who leave because they lose the \$30 and one-third earnings disregard after they have worked for four or twelve months receive Medicaid for nine months and at state option for another six months. Further, some families qualify for Medicaid under medically-needy provisions. For purposes of this estimate, CBO calculated that 50 percent of the families who left AFDC with any earnings would receive extended Medicaid benefits for 4, 9, or 15 months. Of the remaining 50 percent who would receive no extended Medicaid, 35 percent estimated to qualify for medically-needy benefits. Current-law costs were increased slightly to account for legislation in recent years that extended Medicaid to low-income pregnant women and young children, and were reduced to allow for recidivism.

Title V—Child Support Enforcement Amendments.—H.R. 1720 would alter the Child Support Enforcement (CSE) program in a number of respects. This discussion focuses on the major changes.

The bill would require the states to establish guidelines for appropriate amounts of child support awards, and to update these guidelines at least once every three years to reflect changes in the cost of living. Further, the bill would require that there be a "rebuttable presumption" that the guideline amount is the correct amount to use for the award of child support. Child support awards would have to be updated at least once every two years so as to remain in compliance with the guidelines.

The CBO estimate for mandating child support guidelines shows federal savings of \$30 million in 1989, rising to \$175 million in 1992. About three-quarters of the savings are for increased child support collections for AFDC families, and the remainder for welfare savings due to increased collections for non-AFDC families. Increased child support collections for AFDC families were based on an estimated \$600 per year increases in current collections per family, from \$1400 to \$2000 a year. This estimate was developed by the Department of Health and Human Services (DHHS) from information in several states that currently use guidelines. Based on published Census Bureau data (Child Support and Alimony: 1983, Current Population Reports, Special Studies, Series P-23, No. 148, October 1986), CBO estimated that 70 percent of the additional awards would actually be collected. These numbers were applied to projected new and modified orders for AFDC cases, rising from 630,000 in 1989 to 835,000 in 1992. Collections from the increased awards would build up over time as they were applied to more and more AFDC cases. Collections would be lost, however, as families left AFDC. CBO estimated that 73 percent, 53 percent, 43 percent, and 30 percent of the AFDC families would remain on AFDC in years one to four, respectively. These percentages were based on study by David Ellwood and Mathematica Policy Research, Inc. for DHHS ("Targeting 'Would-Be' Long-Term Recipients of AFDC", January 1986). Resulting savings were reduced by one-third to allow for states that already use, or are expected to use, guidelines.

For estimates of collections from non-AFDC families, the procedures were much the same although specific parameters were often different. The estimate of increased awards—\$600—was retained, but 76 percent was estimated to be collected. New and modified orders were projected to rise from 455,000 in 1989 to 720,000 in 1992. The reduction in savings from non-AFDC cases over time was assumed to be 95 percent in year one and 80 percent by year four. Good estimates do not exist of the welfare savings associated with the collection of child support for non-AFDC families (so-call cost avoidance); CBO assumed that the savings equalled 10 percent of the added collections.

The savings estimate by CBO included only savings for families with new or modified support orders, where costs of applying the guidelines would be insignificant. The bill also would require that existing awards be modified at least every two years. For non-AFDC cases, these modifications probably would increase costs. Court costs associated with child support orders are about \$500 per order, although expedited procedures could reduce these costs. For AFDC cases, the potential would exist for greater savings. One study in New Jersey found significant savings from updating existing AFDC orders. On the other hand, some experts in the area of child support believe that states would not have the resources to alter existing orders on any significant scale without reducing other services. For purposes of this estimate, CBO assumed that any savings from modifying existing orders for AFDC families would be offset by costs for non-AFDC families.

Another provision of the bill would require states to have procedures for determining the paternity of every child receiving AFDC. States would be deemed to satisfy this requirement if the number of paternity determinations increased by 50 percent between fiscal year 1986 and fiscal year 1989, and by 15 percent in each of the following four years. Increasing paternity determinations is estimated to increase costs in the first two years, but eventually would result in net savings to the federal government.

States determined paternity in 245,000 child support enforcement cases in 1986. CBO has estimated that paternity determinations will rise by ten percent per year under current law, based on an historical growth rate of six percent and Administration actions to increase paternity determinations. The bill would require states to make 368,000 paternity determinations in 1989, which is 40,000 above current law projections. CBO assumed that under this bill paternity determinations would increase by 10,000 (above baseline growth) in 1988, 40,000 in 1989, and between 15,000 and 20,000 in each of the following years. Each additional paternity determination was estimated to cost \$460, based on state-reported costs for 1986. Average child support collections were assumed to be \$900 per year for half the paternities determined, with collections beginning one year after costs were incurred, and continuing for several years. Collection assumptions were based on a study by Edward Young (Costs and Benefits of Paternity Establishment, The Center for Health and Social Services Research, February 1985), and on information from state and local agencies. CBO estimated that 85 percent of the new collections would be for AFDC cases, and 15

percent for non-AFDC cases, following the relative numbers of AFDC and non-AFDC paternity determinations reported in 1986.

Under a related provision, the formula for computing incentive payments to states would be adjusted so as to give states greater financial rewards for determining paternity for CSE cases. Specifically, collections of \$100 per month would be imputed for each paternity case with no collections or with collections of under \$100. Incentive payments are based on a State's ratio of collections to costs, so that higher collections would increase incentive payments. The CBO estimate shows federal costs of \$16 million in 1989 and \$21 million in 1992. The estimate assumed that the total number of paternity determinations would rise as mandated in the provision described above. Average collections were assumed to follow the pattern described above.

Another provision would require states to install an automatic data processing and information retrieval system that would be operational by October 1, 1992. Development of such systems is optional under current law. The Administration has identified nineteen states that are not developing state-wide ADP systems that meet the applicable statutory and regulatory requirements for 90 percent funding. The \$94 million total cost for acquiring systems in these states was estimated by extrapolating from the costs for completed systems. Inflation increases were assumed to be offset by savings as a result of adaptations of systems from other states. The federal government would pay 90 percent of these costs, which were expected to fall most heavily in the two years prior to full operation.

Another provision of the bill would reduce the federal match rate for states that were not in compliance with the 1984 Child Support Enforcement Amendments and raise the federal match rate for states that would require immediate withholding of child support from income on issuance of a court order. Within six months of enactment, the match rate would be reduced from 68 percent to 66 percent for states not in compliance with the 1984 amendments. The CBO estimate assumed that 50 percent of the states would not be in compliance, resulting in federal savings of \$6 million in 1988 and \$12 million in 1989. There are savings for only two years because the CSE match is scheduled to decline to 66 percent for all states in 1990.

States that would initiate immediate income withholding would have their match rates retained at 70 percent, resulting in estimated federal costs of \$2 million in 1989 and \$8 million in 1992. For purposes of this estimate, CBO assumed that the following percentage of states would be induced to move to immediate income withholding: 15 percent of the states in compliance with the 1984 amendments in 1989, and 25 percent of all states in 1990, 40 percent in 1991, and 50 percent in 1992. Costs of the higher match would be an estimated \$5 million in 1989 and \$28 million in 1992, including costs for the handful of states that currently have immediate income withholding. There would be small start-up costs to implement the income withholding on the order of \$1 million to \$2 million a year. The immediate income withholding would increase child support collections by 5 percent, according to CBO assumptions. Resulting AFDC collections would save \$2 million in 1989

and \$13 million in 1992; welfare savings from increased non-AFDC collections would save \$1 million in 1989 and \$8 million in 1992.

Title VI—Pro-Family Welfare Policies.—The major provision in this title would require all states to provide AFDC benefits to two-parent families where the principal earner is unemployed, effective January 1, 1990. At the present time, 24 states do not provide such benefits.

By 1992, CBO estimates that this provision would bring 90,000 additional two-parent families onto AFDC. The number of AFDC would be slightly lower in 1991 and about 50,000 in 1990 because it would take some time for all eligible families to come onto AFDC. CBO's estimate assumed that those families who receive Food Stamps would come onto AFDC very quickly but that other families would come on quite gradually. Costs are estimated to rise from \$225 million in 1990 to \$480 million in 1992, including resulting Medicaid costs and Food Stamp savings.

The estimate is based on simulations from the TRIM model, developed by the Urban Institute. The model is based on data from the Current Population Survey (CPS), and compares legislative changes to AFDC current law. The model, using the 1985 CPS, estimated that 150,00 families would be newly eligible for AFDC. Of these, CBO estimated that 60 percent would participate—a participation rate close to that in states that currently have an AFDC-UP program. Average monthly benefits from TRIM and were increased based on benefit increases in CBO's baseline, and were adjusted upward for interactions with the provision in H.R. 1720 that would increase the federal match rate on AFDC benefit increases (see the discussion of Title VII). To these increased benefit costs, CBO added AFDC administrative costs for the new families, averaging \$605 per family in 1990 and \$655 in 1992.

Title VII—Benefit Improvements.—H.R. 1720 as amended would provide that the federal match rate would be increased by 25 percent for any increases in AFDC benefit levels after October 1, 1988. The increased federal match rate would be capped at 90 percent. CBO estimates that this provisions would cost \$65 million in 1989. Its cost would rise over time and by 1992 would be an estimated \$560 million, after allowing for Food Stamp savings. The average federal match rate on the benefit increases would be 68 percent and the state match 32 percent. The current average federal match rate is 55 percent.

CBO's baseline project increases in AFDC benefits levels of 3.7 percent per year. This projection of benefits is based on an extrapolation of increases in benefits in the recent past. The higher federal match rate on these benefit increases would cost the federal government an estimated \$40 million in 1989 and \$340 million in 1992; states would save a corresponding amount.

A second aspect of the estimate is the states' response to their reduced match rate. States could under this bill increase AFDC benefits more than they would have increased them under current law. CBO estimated that one-half of the state savings would go into further benefit increases, raising federal costs another \$45 million in 1989 and \$365 million in 1992. Part of the added federal costs would be offset by savings in the Food Stamp program. As a result

of this inducement, benefit increases to families over current law would be an estimated \$535 million by 1992.

Title VIII—Miscellaneous Provisions.—The last title of the bill includes a number of minor provisions with small costs. It would increase the caps set on the amounts of federal payments to the territories. In total, the caps would be raised by \$10 million a year, with virtually all of the increase going to Puerto Rico.

6. *Estimated cost to state and local governments:* The estimated cost of H.R. 1720 as amended to state and local governments would rise from \$141 million in 1988 to a peak of \$371 million in 1991 before declining to \$272 million in 1992. Costs in AFDC, which would account for most of costs in 1988 and 1989, would decline sharply after 1990 and turn into savings in 1992. Costs in Medicaid would rise throughout the period.

Costs are shown by title and program in the accompanying table. In Title I, state savings would reflect the Network program. As noted earlier, states would have few costs from Network but they would share in the savings in AFDC and in Medicaid as work program participants acquired jobs and moved off of welfare. Because Food Stamps is a fully federally-funded program, states would not share in any benefit savings, nor would they be affected by Food Stamp changes in any other titles of the bill.

[By fiscal years, in millions of dollars]

	1988	1989	1990	1991	1992
Title I:					
AFDC.....	(¹)	-2	-12	-33	-57
Medicaid.....	(¹)	-1	-5	-10	-15
Subtotal.....	(¹)	-3	-17	-43	-72
Title II:					
AFDC.....	92	127	164	169	174
Medicaid.....	---	---	---	---	---
Subtotal.....	92	127	164	169	174
Title III:					
AFDC.....	---	47	92	97	112
Medicaid.....	---	10	30	35	40
Subtotal.....	---	57	122	132	152
Title IV:					
AFDC.....	---	---	---	---	---
Medicaid.....	---	40	85	95	100
Subtotal.....	---	40	85	95	100
Title V:					
AFDC.....	7	-40	-146	-219	-289
Medicaid.....	(¹)/	-2	-5	-10	-15
Subtotal.....	7	-42	-151	-229	-304
Title VI:					
AFDC.....	35	35	115	185	205
Medicaid.....	2	2	87	172	182
Subtotal.....	37	37	202	357	387

[By fiscal years, in millions of dollars]

	1988	1989	1990	1991	1992
Title VII:					
AFDC.....	1	-19	-64	-114	-169
Medicaid.....	---	---	---	---	---
Subtotal.....	1	-19	-64	-114	-169
Title VIII:					
AFDC.....	4	4	4	4	4
Medicaid.....	---	---	---	---	---
Subtotal.....	4	4	4	4	4
Total:					
AFDC.....	139	152	153	89	-20
Medicaid.....	2	49	192	282	292
Total.....	141	201	345	371	272

¹ Less than \$500,000.

The child care changes in Title II, especially the benefits provided after a family left AFDC, would cost states their regular share of AFDC benefits, which averages 55 percent. In Title III, the changes in earnings disregards would add to state costs in both AFDC and Medicaid. Again, their cost would reflect their shares of spending—55 percent—in AFDC and Medicaid. Extending Medicaid to families for six months after they left AFDC, as provided for in Title IV, would also raise state costs.

The Child Support Enforcement provisions of Title V would save states substantial sums, rising to an estimated \$304 million in 1992. About 75 percent of the savings would occur because of the mandating of the use of guidelines in child support awards. State savings from these changes would be much greater than federal savings. The federal government pays 68 percent of the state costs of CSE beginning in 1988 and recoups only 29 percent of any increased AFDC collections while states recoup 49 percent. The federal share of collections is reduced by incentive payments made to the states and also by child support collections retained by families. AFDC families can keep up to \$50 a month of child support collections, which reduces state as well as federal savings.

States would incur their greatest costs from the major change made in Title VI—mandating of the AFDC-Unemployed Parent program beginning on January 1, 1990. Some 24 states do not currently provide such benefits. For these states, costs in AFDC and Medicaid are estimated to be \$165 million, \$320 million, and \$350 million in fiscal years 1990 to 1992, respectively.

Title VII would result in estimated state savings from the provision that would raise the federal match rate by 25 percent on any benefit increases after October 1, 1988. The savings estimated by CBO assumed that one-half of the state savings would be plowed back into AFDC benefit increases. If states were to retain more of the savings, and put less into additional benefit increases, their savings would be greater than shown here. Title VIII would have minor effects on states.

While CBO does not do state-by-state estimates, it is clear that the distribution among states of the costs and savings of H.R. 1720 would be far from even. Only a subset of states—24 in all—would be affected by the provision with the greatest cost, mandating AFDC-UP. The provision to raise the federal match on benefit increases would also benefit most those states with the highest projected benefit increases under current law.

7. Estimate comparison: None.

8. Previous CBO estimate: The CBO provided a preliminary estimate of the cost of H.R. 1720 as it was reported from the Public Assistance Subcommittee of the Ways and Means Committee. The bill as it was reported from the full Committee amended the earlier version significantly, reducing costs by \$0.8 billion over the five-year period—from \$6.1 billion to \$5.3 billion. The change in federal costs between the two bills is shown in the table below.

[Outlays, by fiscal years, in millions of dollars]

	1988	1989	1990	1991	1992
H.R. 1720 reported from Public Assistance Subcommittee	167	641	1,485	1,841	1,992
H.R. 1720 reported from Committee on Ways and Means	192	520	1,214	1,599	1,780
Change	25	-121	-271	-242	-212

Three major changes resulted in the reduced costs of the bill reported from the Committee on Ways and Means. The most important change was to eliminate from the bill mandating of a minimum benefit in AFDC. While the minimum benefit provision would not have become effective until 1993, beyond CBO's five-year estimating period, it would have cost the federal government an estimated \$1.4 billion a year when fully implemented. Second, the federal match rate on administrative costs was reduced from 60 percent to 50 percent as in current law while the federal match on work program costs in Network was increased from 60 percent to 65 percent. Third, Medicaid transition benefits to those families who would leave AFDC with earnings were reduced from nine months to six months, and were not provided to families who would leave with child support income.

Changes in one provision raised costs significantly. In the version reported from the Subcommittee, the state match rate was to have been reduced by 20 percent on increases in state benefit levels after October 1, 1988. In the full Committee version, the federal match rate would be increased by 25 percent.

9. Estimate prepared by: Janice Peskin, Julie Isaacs, Michael Pogue, Paul Cullinan, Ken Pott, Marianne Deignan, Don Muse, Anne Harvey, and Chris Ross.

10. Estimate approved by: C.G. Nuckols (for James L. Blum, Assistant Director for Budget Analysis).

IV. OTHER MATTERS REQUIRED TO BE DISCUSSED UNDER THE RULES OF THE HOUSE

A. VOTE OF THE COMMITTEE

In compliance with clause 2(1)(2)(B) of Rule XI of the Rules of the House of Representatives, the following statement is made: the bill, H.R. 1720, was ordered favorably reported to the House of Representatives on June 10, 1987 by a vote of 23 to 13.

B. OVERSIGHT FINDINGS

In compliance with clause 2(1)(3)(A) of Rule XI of the Rules of the House of Representatives, the Committee reports that the need for this legislation was confirmed by the oversight hearings of the Subcommittee on Public Assistance and Unemployment Compensation.

In the 99th Congress, the Subcommittee held a total of 12 hearings on: children in poverty; welfare reform; work, education and training; and emergency assistance for homeless families. The hearings were as follows:

On April 30, 1985, the Subcommittee held a hearing on poverty and hunger in America which included a site visit in Washington, D.C. (Serial 99-4).

On May 7, 1985, the Subcommittee held a hearing on teenage pregnancy issues and their implications for the AFDC program. The hearing focused on the degree to which teenage parents become dependent on welfare programs for support and suggestions for solving this problem (Serial 99-33).

On May 22, 1985, the Subcommittee held a hearing on children in poverty. The purpose of the hearing was to provide Members with a briefing on the report, "Children in Poverty," prepared by the Congressional Budget Office and the Congressional Research Service for the Subcommittee (Serial 99-18).

On February 18, 1986, the Subcommittee held a second hearing on the issue of teenage pregnancy. This hearing focused on pregnancy among black teenagers and included viewing the Bill Moyers television special, "The Vanishing Family: Crisis in Black America" (Serial 99-60).

On February 27, 1986, the Subcommittee held a hearing on the President's AFDC work proposals and the White House Domestic Policy Council evaluation of Federal welfare programs (Serial 99-67).

On March 13, March 20, April 22, May 22 and June 17, 1986, the Subcommittee held a series of hearing on work, education and training opportunities for welfare recipients. Testimony was received from a variety of witnesses including States, localities, labor, business, recipients and advocates (Serial 99-91).

On June 9, 1986, the Subcommittee held a hearing, in Memphis, Tennessee, on poverty in the South and southern States' programs designed to break the cycle of poverty (Serial 99-94).

On December 12, 1986, the Subcommittee held a hearing in New York, New York, on the use of emergency assistance funds for the acquisition of temporary and permanent housing for homeless families.

In the 100th Congress, the subcommittee held seven additional hearings on welfare reform (January 28, 1987; February 19, 1987; March 4, 1987; March 6, 1987; March 10, 1987; March 11, 1987; and March 13, 1987. In addition, two hearings were held on H.R. 1720, the Family Welfare Reform Act of 1987 (March 30, 1987; and April 1, 1987).

C. OVERSIGHT BY COMMITTEE ON GOVERNMENT OPERATIONS

In compliance with clause 2(1)(3)(D) of Rule XI of the Rules of the House of Representatives, the Committee states that no oversight findings and recommendations have been submitted to this Committee by the Committee on Government Operations regarding the provisions contained in this bill.

D. INFLATION IMPACT

In compliance with clause 2(1)(4) of Rule XI of the Rules of the House of Representatives, the Committee states that H.R. 1720, as reported, has a total cost in fiscal year 1988 of \$192 million, a cost of \$520 million in fiscal year 1989, and a cost of \$1.2 billion in fiscal year 1990. The Committee believes that the bill will have no inflationary impact on the economy.

V. CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

SOCIAL SECURITY ACT

* * * * *

TITLE IV—GRANTS TO STATES FOR AID AND SERVICES TO NEEDY FAMILIES WITH CHILDREN AND FOR CHILD-WELFARE SERVICES

* * * * *

PART A—[AID TO FAMILIES WITH DEPENDENT CHILDREN] *FAMILY SUPPORT PROGRAM*

* * * * *

STATE PLANS FOR AID AND SERVICES TO NEEDY FAMILIES WITH CHILDREN

SEC. 402. (a) A State plan for aid and services to needy families with children must—

(1) * * *

* * * * *

(4) provide for granting an opportunity for a fair hearing before the State agency to any individual whose claim for [aid

to families with dependent children] *aid in the form of family support supplements* is denied or is not acted upon with reasonable promptness;

* * * * *

(7) except as may be otherwise provided in paragraph (8) or (31) and section 415, provide that the State agency—

(A) shall, in determining need, take into consideration any other income and resources of any child or relative claiming [aid to families with dependent children] *aid in the form of family support supplements*, or of any other individual (living in the same home as such child and relative) whose needs the State determines should be considered in determining the need of the child or relative claiming such aid;

* * * * *

[(8)(A) provide that, with respect to any month, in making the determination under paragraph (7), the State agency—

[(i) shall disregard all of the earned income of each dependent child receiving aid to families with dependent children who is (as determined by the State in accordance with standards prescribed by the Secretary) a full-time student or a part-time student who is not a full-time employee attending a school, college, or university, or a course of vocational or technical training designed to fit him for gainful employment;

[(ii) shall disregard from the earned income of any child or relative applying for or receiving aid to families with dependent children, or of any other individual (living in the same home as such relative and child) whose needs are taken into account in making such determination, the first \$75 of the total of such earned income for such month;

[(iii) shall disregard from the earned income of any child, relative, or other individual specified in clause (ii), an amount equal to expenditures for care in such month for a dependent child, or an incapacitated individual living in the same home as the dependent child, receiving aid to families with dependent children and requiring such care for such month, to the extent that such amount (for each such dependent child or incapacitated individual) does not exceed \$160 (or such lesser amount as the Secretary may prescribe in the case of an individual not engaged in full-time employment or not employed throughout the month);

[(iv) shall disregard from the earned income of any child or relative receiving aid to families with dependent children, or of any other individual (living in the same home as such relative and child) whose needs are taken into account inmaking such determination, an amount equal to (I) the first \$30 of the total of such earned income not disregarded under any other clause of this subparagraph plus (II) one-third of the remainder thereof (but excluding, for purposes of this subparagraph, earned income

derived from participation on a project maintained under the programs established by section 432(b)(2) and (3);

[(v) may disregard the income of any dependent child applying for or receiving aid to families with dependent children which is derived from a program carried out under the Job Training Partnership Act (as originally enacted), but only in such amounts, and for such period of time (not to exceed six months with respect to earned income) as the Secretary may provide in regulations;

[(vi) shall disregard the first \$50 of any child support payments received in such month with respect to the dependent child or children in any family applying for or receiving aid to families with dependent children (including support payments collected and paid to the family under section 457(b)); and

[(vii) may disregard all or any part of the earned income of a dependent child who is a full-time student and who is applying for aid to families with dependent children, but only if the earned income of such child is excluded for such month in determining the family's total income under paragraph (18); and

[(B) provide that (with respect to any month) the State agency—

[(i) shall not disregard, under clause (ii), (iii), or (iv) of subparagraph (A), any earned income of any one of the persons specified in subparagraph (A)(ii) if such person—

[(I) terminated his employment or reduced his earned income without good cause within such period (of not less than thirty days) preceding such month as may be prescribed by the Secretary;

[(II) refused without good cause, within such period preceding such month as may be prescribed by the Secretary, to accept employment in which he is able to engage which is offered through the public employment offices of the State, or is otherwise offered by an employer if the offer of such employer is determined by the State or local agency administering the State plan, after notification by the employer, to be a bona fide offer of employment; or

[(III) failed without good cause to make a timely report (as prescribed by the State plan pursuant to paragraph (14)) to the State agency of earned income received in such month; and

[(ii)(I) shall not disregard—

[(a) under subclause (II) of subparagraph (A)(iv), in a case where such subclause has already been applied to the income of the persons involved for four consecutive months while they were receiving aid under the plan, or

[(b) under subclause (I) of subparagraph (A)(iv), in a case where such subclause has already been applied to the income of the persons involved for twelve consecutive months while they were receiving aid under the plan,

any earned income of any of the persons specified in subparagraph (A)(ii), if, with respect to such month, the income of the persons so specified was in excess of their need, as determined by the State agency pursuant to paragraph (7) (without regard to subparagraph (A)(iv) of this paragraph), unless the persons received aid under the plan in one or more of the four months preceding such month; and

[(II) in the case of the earned income of a person with respect to whom subparagraph (A)(iv) has been applied for four consecutive months, shall not apply the provisions of subclause (II) of such subparagraph to any month after such month, or apply the provisions of subclause (I) of such subparagraph to any month after the eight month following such month, for so long as he continues to receive aid under the plan, and shall not apply the provisions of either such subclause to any month thereafter until the expiration of an additional period of twelve consecutive months during which he is not a recipient of such aid; and

[(C) provide that in implementing this paragraph the term "earned income" shall mean gross earned income, prior to any deductions for taxes or for any other purposes;]

(8)(A) provide (subject to subsection (g)(1)(C)) that, with respect to any month, in making the determination under paragraph (7), the State agency—

(i) shall disregard all of the earned income of each dependent child receiving family support supplements who is (as determined by the State in accordance with standards prescribed by the Secretary) a full-time student or a part-time student who is not a full-time employee attending a school, college, or university, or a course of vocational or technical training designed to prepare him or her for gainful employment;

(ii) shall disregard from the earned income of any child or relative applying for or receiving family support supplements, or of any other individual (living in the same home as such relative and child) whose needs are taken into account in making such determination, the first \$100 of the total of such earned income for such month;

(iii) shall disregard from the earned income of any child or relative receiving family support supplements, or of any other individual (living in the same home as such relative and child) whose needs are taken into account in making such determination, an amount equal to 25 percent of the total of such earned income not disregarded under any other clause of this subparagraph;

(iv) shall disregard the first \$50 of any child support payment received in such month which was due for that month, and the first \$50 of any child support payment received in such month which was due for a prior month if such payment was timely made when due by the absent parent, with respect to the dependent child or children in any family applying for or receiving family support supple-

ments (including support payment collected and paid to the family under section 457(b));

(v) may disregard the income of any dependent child or minor parent applying for or receiving family support supplements which is derived from a program carried out under the Job Training Partnership Act, but only in such amounts and for such period of time (not to exceed 6 months with respect to earned income) as the Secretary may provide in regulations;

(vi) may disregard all or any part of the earned income of a dependent child who is a full-time student and who is applying for family support supplements, but only if the earned income of such child is excluded for such month in determining the family's total income under paragraph (18); and

(vii) shall disregard any refund of Federal income taxes made to a family receiving family support supplements by reason of section 32 of the Internal Revenue Code of 1986 (relating to earned income credit) and any payment made to such a family by an employer under section 3507 of such Act (relating to advance payment of earned income credit); and

(B) provide that (with respect to any month) the State agency shall not disregard, under clause (ii) or (iii) of subparagraph (A), any earned income of any one of the persons specified in subparagraph (A)(ii) if such person—

(i) terminated his or her employment or reduced his or her earned income without good cause within such period (of not less than 30 days) preceding such month as may be prescribed by the Secretary;

(ii) refused without good cause, within such period preceding such month as may be prescribed by the Secretary, to accept employment in which he or she is able to engage which is offered through the public employment offices of the State, or is otherwise offered by an employer if the offer of such employer is determined by the State or local agency administering the State plan, after consulting with the employer, to be a bona fide offer of employment; or

(iii) failed without good cause to make a timely report (as prescribed by the State plan pursuant to paragraph (14)) to the State agency of earned income received in such month;

(9) provide safeguards which restrict the use or disclosure of information concerning applicants or recipients to purposes directly connected with (A) the administration of the plan of the State approved under this part, the plan or program of the State under part B[C,] or D of this title or under title I, X, XIV, XVI, XIX, or XX, or the supplemental security income program established by title XVI, (B) any investigation, prosecution, or criminal or civil proceeding, conducted in connection with the administration of any such plan or program, (C) the administration of any other Federal or federally assisted program which provides assistance, in cash or in kind, or services, directly to individuals on the basis of need, and (D) any audit or similar activity conducted in connection with the ad-

ministration of any such plan or program by any governmental entity which is authorized by law to conduct such audit or activity; and the safeguards so provided shall prohibit disclosure, to any committee or legislative body (other than an entity referred to in clause (D) with respect to an activity referred to in such clause), of any information which identifies by name or address any such applicant or recipient; but such safeguards shall not prevent the State agency or the local agency responsible for the administration of the State plan in the locality (whether or not the State has enacted legislation allowing public access to Federal welfare records) from furnishing a State or local law enforcement officer, upon his request, with the current address of any recipient if the officer furnishes the agency with such recipient's name and social security account number and satisfactorily demonstrates that such recipient is a fugitive felon, that the location or apprehension of such felon is within the officer's official duties, and that the request is made in the proper exercise of those duties;

(10)(A) provide that all individuals wishing to make application for [aid to families with dependent children] *aid in the form of family support supplements* shall have opportunity to do so, and that [aid to families with dependent children] *aid in the form of family support supplements* shall, subject to paragraphs (25) and (26), be furnished with reasonable promptness to all eligible individuals; and

(B) provide that an application for aid under the plan will be effective no earlier than the date such application is filed with the State agency or local agency responsible for the administration of the State plan, and the amount payable for the month in which the application becomes effective, if such application becomes effective after the first day of such month, shall bear the same ratio to the amount which would be payable if the application had been effective on the first day of such month as the number of days in the month including and following the effective date of the application bears to the total number of days in such month;

(11) provide for prompt notice (including the transmittal of all relevant information) to the State child support collection agency (established pursuant to part D of this title) of the furnishing of [aid to families with dependent children] *aid in the form of family support supplements* with respect to a child who has been deserted or abandoned by a parent (including a child born out of wedlock without regard to whether the paternity of such child has been established);

* * * * *

(14) with respect to families in the category of recent work history or earned income cases (and at the option of the State with respect to families in other categories), (A) provide that the State agency will require each family to which it furnishes [aid to families with dependent children] *aid in the form of family support supplements* (or to which it would provide such aid but for paragraph (22) or (32)) to report, as a condition to the continued receipt of such aid (or to continuing to be

deemed to be a recipient of such aid), each month to the State agency on—

(i) the income received, family composition, and other relevant circumstances during the prior month; and

* * * * *

(17) provide that if a child or relative applying for or receiving [aid to families with dependent children,] *aid in the form of family support supplements*, or any other person whose need the State considers when determining the income of a family, receives in any month an amount of earned or unearned income which, together with all other income for that month not excluded under paragraph (8), exceeds the State's standard of need applicable to the family of which he is a member—

(A) such amount of income shall be considered income to such individual in the month received, and the family of which such person is a member shall be ineligible for aid under the plan for the whole number of months that equals (i) the sum of such amount and all other income received in such month, not excluded under paragraph (8), divided by (ii) the standard of need applicable to such family, and

* * * * *

[(19) provide—

[(A) that every individual, as a condition of eligibility for aid under this part, shall register for manpower services, training, employment, and other employment-related activities (including employment search, not to exceed eight weeks in total in each year) with the Secretary of Labor as provided by regulations issued by him, unless such individual is—

[(i) a child who is under age 16 or attending, full-time, an elementary, secondary, or vocational (or technical) school;

[(ii) a person who is ill, incapacitated, or of advanced age;

[(iii) a person so remote from a work incentive project that his effective participation is precluded;

[(iv) a person whose presence in the home is required because of illness or incapacity of another member of the household;

[(v) the parent or other relative of a child under the age of six who is personally providing care for the child with only very brief and infrequent absences from the child;

[(vi) the parent or other caretaker of a child who is deprived of parental support or care by reason of the death, continued absence from the home, or physical or mental incapacity of a parent, if another adult relative is in the home and not excluded by clause (i), (ii), (iii), or (iv) of this subparagraph (unless he has failed to register as required by this subparagraph, or has been found by the Secretary of Labor to have refused

without good cause to participate under a work incentive program or accept employment as described in subparagraph (F) of this paragraph;

[(vii) a person who is working not less than 30 hours per week;

[(viii) the parent of a child who is deprived of parental support or care by reason of the unemployment of a parent, if the other parent (who is the principal earner, as defined in section 407(d)) is not excluded by the preceding clauses of this subparagraph; or

[(ix) a woman who is pregnant if it has been medically verified that the child is expected to be born in the month in which such registration would otherwise be required or within the 3-month period immediately following such month;

and that any individual referred to in clause (v) shall be advised on his or her option to register, if he or she so desired, pursuant to this paragraph, and shall be informed of the child care services (if any) which will be available to him or her in the event he or she should decide so to register;

[(B) that aid to families with dependent children under the plan will not be denied by reason of such registration or the individual's certification to the Secretary of Labor under subparagraph (G) of this paragraph, or be reason of an individual's participation on a project under the program established by section 432(b)(2) or (3);

[(C) for arrangements to assure that there will be made a non-Federal contribution to the work incentive programs established by part C by appropriate agencies of the State or private organizations of 10 per centum of the cost of such programs as specified in section 435(b);

[(D) that (i) training incentives authorized under section 434 shall be disregarded in determining the needs of an individual under paragraph (7), and (ii) in determining such individual's needs the additional expenses attributable to his participation in a program established by section 432(b)(2) or (3) shall be taken into account;

[(F) that if (and for such period as is prescribed under joint regulations of the Secretary and the Secretary of Labor) any child, relative or individual has been found by the Secretary of Labor under section 433(g) to have refused without good cause to participate under a work incentive program established by part C with respect to which the Secretary of Labor has determined his participation is consistent with the purposes of such part C, or to have refused without good cause to accept employment in which he is able to engage which is offered through the public employment offices of the State, or is otherwise offered by an employer if the offer of such employer is determined, after notification by him, to be a bona fide offer of employment—

[(i) if the relative makes such refusal, such relative's needs shall not be taken into account in making

the determination under paragraphs (7), and aid for any dependent child in the family in the form of payments of the type described in section 406(b)(2) (which in such a case shall be without regard to clauses (A) through (D) thereof) or section 472 will be made unless the State agency, after making reasonable efforts, is unable to locate an appropriate individual to whom such payments can be made;

[(ii) if the parent who has been designated as the principal earner, for purposes of section 407, makes such refusal, aid will be denied to all members of the family;

[(iii) aid with respect to a dependent child will be denied if a child who is the only child receiving aid in the family makes such refusal;

[(iv) if there is more than one child receiving aid in the family, aid for any such child will be denied (and his needs will not be taken into account in making the determination under paragraphs (7)) if that child makes such refusal; and

[(v) if such individual makes such refusal, such individual's needs shall not be taken into account in making the determination under paragraph (7);

[(G) that the State agency will have in effect a special program which (i) will be administered by a separate administrative unit (which will, to the maximum extent feasible, be located in the same facility as that utilized for the administration of programs established pursuant to section 432(b) (1), (2), or (3)) and the employees of which will, to the maximum extent feasible, perform services only in connection with the administration of such program, (ii) will provide (through arrangements with others or otherwise) for individuals who have been registered pursuant to subparagraph (A) of this paragraph (I) in accordance with the order of priority listed in section 433(a), such health, vocational rehabilitation, counseling, child care, and other social and supportive services as are necessary to enable such individuals to accept employment or receive manpower training provided under section 432(b) (1), (2), or (3), and will, when arrangements have been made to provide necessary supportive services, including child care, certify to the Secretary of Labor those individuals who are ready for employment or training under section 432(b) (1), (2), or (3), (II) such social and supportive services as are necessary to enable such individuals as determined appropriate by the Secretary of Labor actively to engage in other employment-related (including but not limited to employment search) activities, as well as timely payment for necessary employment search expenses, and (III) for a period deemed appropriate by the Secretary of Labor after such an individual accepts employment, such social and supportive services as are reasonable and necessary to enable him to retain such employment, (iii) will participate in the development of operational and employability plans under sec-

tion 433(b); and (iv) provides for purposes of clause (ii) that, when more than one kind of child care is available, the mother may choose the type, but she may not refuse to accept child care services if they are available; and

[(H) that an individual participating in employment search activities shall not be referred to employment opportunities which do not meet the criteria for appropriate work and training to which an individual may otherwise be assigned under section 432(b) (1), (2), or (3);]

(19) provide that the State has in effect and operation an education, training, and work program approved by the Secretary as meeting all of the requirements of section 416;

* * * * *

(21) provide—

(A) that, for purposes of this part, participation in a strike shall not constitute good cause to leave, or to refuse to seek or accept employment; and

(B)(i) that [aid to families with dependent children] aid in the form of family support supplements is not payable to a family for any month in which any caretaker relative with whom the child is living is, on the last day of such month, participating in a strike, and (ii) that no individual's needs shall be included in determining the amount of aid payable for any month to a family under the plan if, on the last day of such month, such individual is participating in a strike;

* * * * *

(29) provide for the assignment of a case manager to each family which is receiving family support supplements under the plan and which is headed by a minor parent, as described in section 417, and include the other provisions and conditions required by that section;

* * * * *

[(35) at the option of the State, provide—

[(A) that as a condition of eligibility for aid under the State plan of any individual claiming such aid who is required to register pursuant to paragraph (19)(A) (or who would be required to register under paragraph (19)(A) but for clause (iii) thereof), including all such individuals or only such groups, types, or classes thereof as the State agency may designate for purposes of this paragraph, such individual will be required to participate in a program of employment search—

[(i) beginning at the time he applies for such aid (or an application including his need is filed) and continuing for a period (prescribed by the State) of not more than eight weeks (but this requirement may not be used as a reason for any delay in making a determination of an individual's eligibility for aid or in issuing a payment to or in behalf of any individual who is otherwise eligible for such aid); and

[(ii) at such time or times after the close of the period prescribed under clause (i) as the State agency may determine but not to exceed a total of 8 weeks in any 12 consecutive months;

[(B) that any individual participating in a program of employment search under this paragraph will be furnished such transportation and other services, or paid (in advance or by way of reimbursement) such amounts to cover transportation costs and other expenses reasonably incurred in meeting requirements imposed on him under this paragraph, as may be necessary to enable such individual to participate in such program; and

[(C) that, in the case of an individual who fails without good cause to comply with requirements imposed upon him under this paragraph, the sanctions imposed by paragraph (19)(F) shall be applied in the same manner as if the individual had made a refusal of the type which would cause the provisions of such paragraph (19)(F) to be applied (except that the State may at its option, for purposes of this paragraph, reduce the period for which such sanctions would otherwise be in effect);]

* * * * *

[(37) provide that, in any case where a family has ceased to receive aid under the plan because (by reason of paragraph (8)(B)(ii)(II)) the provisions of paragraph (8)(A)(iv) no longer apply, such family shall be considered for purposes of title XIX to be receiving aid to families with dependent children under such plan for a period of 9 months after the last month for which the family actually received such aid; and the State may as its option extend such period by an additional period of up to 6 months in the case of a family that would be eligible during such additional period to receive aid under the plan (without regard to this paragraph) if such (8)(A)(iv) applied;]

(37) provide that if any family ceases to receive family support supplements under the State plan as of the close of any month (and at that time has earnings), such family shall be treated for purposes of title XIX as continuing to receive such supplements for a period of 6 months after the close of such month; except that (A) this paragraph shall not apply if the family's eligibility for such supplements was terminated because of fraud or the imposition of a sanction, (B) if at any time during such 6-month period—

(i) the family ceases to include a child who is (or would if need be) a dependent child, or

(ii) any member of the family terminates his or her employment or reduces his or her earned income without good cause or refuses without good cause to accept employment, or fails to cooperate with the State in establishing paternity or obtaining support or other payments as required by paragraph (26)(B),

such period shall automatically end (as of the close of the last month in which the family included such a child or at the close of the month in which such termination, refusal, or fail-

ure occurred, and (C) such 6-month period shall include, and not be in addition to, any period during which the family remains eligible for assistance under such title XIX (after becoming ineligible for family support supplements) under section 1902(e);

(38) provide that in making the determination under paragraph (7) with respect to a dependent child and applying paragraph (8), the State agency shall (except as otherwise provided in this part) include)

(A) any parent of such child, and

(B) any brother or sister of such child, if such brother or sister meets the conditions described in clauses (1) and (2) of section 406(a) or in section 407(a) (if such section is applicable to the State),

if such parent, brother, or sister is living in the same home as the dependent child, and any income of or available for such parent, brother, or sister shall be included in making such determination and applying such paragraph with respect to the family (notwithstanding section 205(j), in the case of benefits provided under title II); [and]

[(39) provide that in making the determinations under paragraph (7) with respect to a dependent child whose parent or legal guardian is under the age of 18, the State agency shall (except as otherwise provided in this part) include any income of such minor's own parents or legal guardians who are living in the same home as such minor and dependent child, to the same extent that income of a stepparent is included under paragraph (31).]

(39) provide that the State will not reduce the level of the aid payable under the State plan to families of any size or composition below the level in effect for such families on June 10, 1987 (or below a level scheduled to become effective for such families after that date (and on or before September 30, 1988) under a State law enacted on or before June 10, 1987); and

(40) provide that payments of family support supplements will be made under the plan with respect to dependent children of unemployed parents, in accordance with section 407.

* * * * *

[(d)(1) For purposes of paragraphs (7) and (8) of subsection (a), any refund of Federal income taxes made by reason of section 32 of the Internal Revenue of 1954 (relating to earned income credit) and any payment made by an employer under section 3507 of such Code (relating to advance payment of earned income credit) shall be considered earned income.

[(2) In any case in which such advance payments for a taxable year made by all employers to an individual under section 3507 of such Code exceed the amount of such individual's earned income credit allowable under section 32 of such Code for such year, so that such individual is liable under section 32(g) of such Code for a tax equal to such excess, such individual's benefit amount must be appropriately adjusted so as to provide payment to such individual

of an amount equal to the amount of the benefits lost by such individual on account of such excess advance payments.】

* * * * *

(g)(1)(A) Each State shall, for each family, either—

(i) provide day care for each dependent child, and incapacitated individual living in the same home as a dependent child, receiving family support supplements under the State plan and requiring such care, or

(ii) reimburse the caretaker relative in the family (in advance whenever possible) for the costs of such care incurred in any month,

if and to the extent that such care (or reimbursement for the costs thereof) is determined by the State agency to be (I) directly related to an individual's participation in work, education, or training (including participation as a mandatory participant or volunteer in the program under section 416, and including participation in other work, education, or training by individuals who are not participating in such program by reason of exemptions granted under any of the subparagraphs in section 416(c)(4)), (II) reasonably necessary for such participation, and (III) cost-effective. The caretaker relative of any dependent child or incapacitated individual whose family ceases to be eligible for family support supplements under the State plan as of the close of any month (if at that time the family has earnings) shall continue to be entitled to reimbursement for the costs of any day care (subject to the applicable dollar limitations specified in the succeeding sentence) which is determined by the State agency to be reasonably necessary for his or her employment, for a period of 6 months after the close of such month, under a sliding scale formula established by the State which shall be based on the family's ability to pay (and under which such applicable dollar limitations are appropriately reduced to reflect such ability). Amounts expended under the preceding provisions of this subsection (in providing day care directly, or in making reimbursement for the costs of such care), to the extent that such amounts do not exceed \$175 per month for any child age 2 or over or \$200 per month for any infant under age 2, shall be considered, for purposes of section 403(a)(1) and (2), to be amounts expended as aid in the form of family support supplements under the State plan (and Federal contributions may be made under section 403(a) with respect to amounts so expended only to that extent).

(B) No amount shall be expended under subparagraph (A) for any child care services involving more than 2 children at the same time unless such services meet applicable standards of State and local law, and in any event unless such services meet standards, established by the State, which at a minimum ensure basic health and safety protections.

(C) Reimbursement for the costs of day care under subparagraph (A)(ii) may be accomplished through contracts or certificates, or through the disregarding of such costs from the earned income of the family (within the applicable dollar limitations set forth in subparagraph (A)) as though such disregarding were specifically provided for in section 402(a)(8) immediately after the disregards provided for in clauses (ii) and (iii) thereof (and were applied to both appli-

cants and recipients but only with respect to earned income not otherwise disregarded under the preceding provisions of that section). No change made by a State in its method of reimbursing day care costs may have the effect of disadvantaging individuals or families receiving aid under the State plan on the date of the enactment of this subsection, by reducing their income or otherwise.

(D) For purposes of the first sentence of subparagraph (A), day care shall be considered "cost-effective" only if it is furnished within the applicable dollar limitations set forth in the third sentence of such subparagraph; but nothing in this subsection shall be construed as preventing any State from making reimbursement from its own funds (without any Federal contribution under section 403(a)) for day care which is not furnished within such limitations.

(2)(A) In the case of an individual participating in the program of education, training, and work under section 416 (including participation in the form of job search under subsection (k) thereof), the State (in addition to providing day care or reimbursing the costs thereof as provided in paragraph (1)) shall reimburse the participant (in advance whenever possible) for transportation and other work-related costs incurred in any month, in an amount (subject to subparagraph (B)) not exceeding the dollar amount then in effect (for purposes of disregarding earned income) under section 402(a)(8)(A)(ii).

(B) In the case of a participant who must travel 100 miles or more to reach his or her education or training site under the program, the reimbursement for transportation and other work-related costs under subparagraph (A) may be in an amount up to twice the dollar amount referred to in that subparagraph.

(3) The Federal contribution with respect to day care, transportation, and other work-related costs incurred by a State under this subsection shall be determined under section 403(a)(1) or (2) as though such costs had been incurred in paying aid in the form of family support supplements, rather than under section 403(a)(3) or (4).

(4) The value of any day care provided (or any amount received as reimbursement for day care costs incurred) under paragraph (1)—

(A) shall not be treated as income of any person for purposes of any other Federal or federally-supported program which bases eligibility for or the amount of benefits upon need, and

(B) may not be claimed as an employment-related expense for purposes of the credit under section 21 of the Internal Revenue Code of 1986.

(h)(1) Any State may at its option increase the dollar amount under clause (ii) or (iv) of subsection (a)(8)(A) or the percentage figure under clause (iii) of such subsection (or increase both of such dollar amounts, or either or both of such dollar amounts as well as such percentage figure), effective on the first day of any calendar quarter beginning on or after the effective date of this subsection, so long as such increase (or the combination of such increases) does not have the effect of permitting a family to be eligible for aid under the State plan for any month in violation of subsection (a)(18).

(2) Whenever benefit amounts under title II are increased by any percentage effective with any month as a result of a determination made under section 215(i), the dollar amount under subsection

(a)(8)(A)(ii), as specified therein or as previously increased under paragraph (1) of this subsection or this paragraph, shall be increased by the same percentage (and rounded, when not a multiple of \$1, to the next lower such multiple), effective on the first day of the following month; but no increase under this paragraph shall be effective to the extent that it would permit a family to be eligible for aid under the State plan for any month in violation of subsection (a)(18).

(i) Each State shall annually re-evaluate its need standard and its payment standard under the family support program, giving particular attention to whether or not the amount which it has assumed to be necessary for shelter, in setting such standards, is adequate in the light of current housing costs in the State and in different regions within the State. The result of each such re-evaluation shall be reported by the State to the Secretary, to the Congress, and to the public.

(j)(1) If—

(A) any individual who is a recipient of family support supplements under the State plan has been medically determined to be a drug addict or an alcoholic and is enrolled in a program for the treatment of his or her drug addiction or alcoholism, and

(B) the institution, facility, or other entity responsible for providing such treatment notifies the State agency that such individual (prior to the satisfactory completion of the treatment) has terminated his or her enrollment or otherwise ceased to participate in such program or to comply with its terms, conditions, and requirements,

then (notwithstanding any other provision of this title) the needs of such individual shall not be taken into account in making the determination with respect to his or her family under subsection (a)(7) until such individual is again enrolled in such a program or a medical determination is made (and notification thereof communicated to the State agency) that he or she is no longer a drug addict or alcoholic.

(2) Each State agency shall establish such procedures and take such other actions as may be necessary or appropriate to encourage and facilitate the making (by the institutions, facilities, and other entities involved) of the notifications described in paragraph (1).

PAYMENT TO STATES

SEC. 403. (a) From the sums appropriated therefor, the Secretary of the Treasury shall pay to each State which has an approved plan for aid and services to needy families with children, for each quarter, beginning with the quarter commencing October 1, 1958—

(1) in the case of any State other than Puerto Rico, the Virgin Islands, and Guam, an amount (subject to subsection (k)) equal to the sum of the following proportions of the total amounts expended during such quarter as [aid to families with dependent children] aid in the form of family support supplements under the State plan—

(A) five-sixths of such expenditures, not counting so much of any expenditure with respect to any month as ex-

ceeds the product of \$18 multiplied by the total number of recipients of [aid to families with dependent children] *aid in the form of family support supplements* for such month (which total number, for purposes of this subsection, means (i) the number of individuals with respect to whom such aid in the form of money payments is paid for such month, plus (ii) the number of individuals, not counted under clause (i), with respect to whom payments described in section 406(b)(2) are made in such month and included as expenditures for purposes of this paragraph or paragraph (2)); plus

(B) the Federal percentage of the amount by which such expenditures exceed the maximum which may be counted under clause (a), not counting so much of any expenditure with respect to any month as exceeds (i) the product of \$32 multiplied by the total number of recipients of [aid to families with dependent children] *aid in the form of family support supplements* (other than such aid in the form of foster care) for such month, plus (ii) the product of \$100 multiplied by the total number of recipients of [aid to families with dependent children] *aid in the form of family support supplements* in the form of foster care for such month; and

(2) in the case of Puerto Rico, the Virgin Islands, and Guam, an amount (*subject to subsection (k)*) equal to one-half of the total of the sums expended during such quarter as [aid to families with dependent children] *aid in the form of family support supplements* under the State plan, not counting so much of any expenditure with respect to any month as exceeds \$18 multiplied by the total number of recipients of such aid for such month; and

(3) in the case of any State, an amount equal to the sum of the following proportions of the total amounts expended during such quarter as found necessary by the Secretary for the proper and efficient administration of the State plan—

(A) 100 percent of so much of such expenditures as are for the costs of the implementation and operation of the immigration status verification system described in section 1137(d),

(B) 90 per centum of so much of the sums expended during such quarter as are attributable to the planning, design, development, or installation of such statewide mechanized claims processing and information retrieval systems as (i) meet the conditions of section 402(a)(30), and (ii) the Secretary determines are likely to provide more efficient, economical, and effective administration of the plan and to be compatible with the claims processing and information retrieval systems utilized in the administration of State plans approved under title XIX, and State programs with respect to which there is Federal financial participation under title XX, [and]

(C) *one-half of so much of such expenditures as are incurred in connection with the administration of the education, training, and work program under section 416, and*

[(C)](D) one-half of the remainder of such expenditures [(including as expenditures under this subparagraph the value of any services furnished, and the amount of any payments made (to cover expenses incurred by individuals under a program of employment search), under section 402(a)(35)(B)),],

except that no payment shall be made with respect to amounts expended in connection with the provisions of any service described in section 2002(a) of this Act [other than services furnished under section 402(a)(35)(B) (as described in the parenthetical phrase in subparagraph (C)), and other than services the provision of which is required by section 402(a)(19) to be included in the plan of the State, or which is a service provided in connection with a community work experience program or work supplementation program under section 409 or 414; and] *other than services furnished under section 416 or under section 402(g); and*

(4) *in the case of any State, an amount equal to 65 percent of the total amount expended during such quarter for education and training under the program established pursuant to section 416; and*

(5) *in the case of any State, an amount equal to 50 percent of the total amount expended under the State plan during such quarter as emergency assistance to needy families with children.*

No payment shall be made under this subsection with respect to amounts paid to supplement or otherwise increase the amount of [aid to families with dependent children] *aid in the form of family support supplements* found payable in accordance with section 402(a)(13) if such amount is determined to have been paid by the State in recognition of the current or anticipated needs of a family (other than with respect to the first or first and second months of eligibility), but any such amount, if determined to have been paid by the State in recognition of the difference between the current or anticipated needs of a family for a month based upon actual income or other relevant circumstances for such month, and the needs of such family for such month based upon income and other relevant circumstances as retrospectively determined under section 402(a)(13)(A)(ii) shall not be considered income within the meaning of section 402(a)(13) for the purpose of determining the amount of aid in the succeeding months.

(b) The method of computing and paying such amounts shall be as follows:

(1) The Secretary shall, prior to the beginning of each quarter, estimate the amount to be paid to the State for such quarter under the provisions of subsection (a), such estimate to be based on (A) a report filed by the State containing its estimate of the total sum to be expended in such quarter in accordance with the provisions of such subsection and stating the amount appropriated or made available by the State and its political subdivisions for such expenditures in such quarter, and if such amount is less than the State's proportionate share of the total sum of such estimated expenditures, the source or sources from which the difference is expected to be derived, (B) records

showing the number of dependent children in the State, and (C) such other investigation as the Secretary may find necessary.

(2) The Secretary of Health and Human Services shall then certify to the Secretary of the Treasury the amount so estimated by the Secretary of Health and Human Services, (A) reduced or increased, as the case may be, by any sum by which he finds that his estimate for any prior quarter was greater or less than the amount which should have been paid to the State for such quarter, (B) reduced by a sum equivalent to the pro rata share to which the United States is equitably entitled as determined by the Secretary of Health and Human Services, of the net amount recovered during any prior quarter by the State or any political subdivision thereof with respect to [aid to families with dependent children] *aid in the form of family support supplements* furnished under the State plan, and (C) reduced by such amount as is necessary to provide the "appropriate reimbursement of the Federal Government" that the State is required to make under section 457 out of that portion of child support collections retained by it pursuant to such section; except that such increases or reductions shall not be made to the extent that such sums have been applied to make the amount certified for any prior quarter greater or less than the amount estimated by the Secretary of Health and Human Services for such prior quarter.

(3) The Secretary of the Treasury shall thereupon through the Fiscal Service of the Department of the Treasury and prior to audit or settlement by the General Accounting Office, pay to the State, at the time or times fixed by the Secretary of Health and Human Services, the amount so certified.

[(c) Notwithstanding any other provision of this Act, the Federal share of assistance payments under this part shall be reduced with respect to any State for any fiscal year after June 30, 1973, by one percentage point for each percentage point by which the number of individuals certified, under the program of such State established pursuant to section 402(a)(19)(G), to the local employment office of the State as being ready for employment or training under section 432(b) (1), (2), or (3), is less than 15 per centum of the average number of individuals in such State who, during such year, are required to be registered pursuant to section 402(a)(19)(A).

[(d)(1) Notwithstanding any provision of subsection (a)(3), the applicable rate under such subsection shall be 90 per centum with respect to social and supportive services provided pursuant to section 402(a)(19)(G). In determining the amount of the expenditures made under a State plan for any quarter with respect to social and supportive services pursuant to section 402(a)(19)(G), there shall be included the fair and reasonable value of goods and services furnished in kind from the State or any political subdivision thereof.

[(2) Of the sums authorized by section 401 to be appropriated for the fiscal year ending June 30, 1973, not more than \$750,000,000 shall be appropriated to the Secretary for payments with respect to services to which paragraph (1) applies.]

(e) *In order to assist in obtaining the information needed to carry out subsection (b)(1) and otherwise to perform his duties under this*

part, the Secretary shall establish uniform reporting requirements under which each State will be required periodically to furnish such information and data as the Secretary may determine to be necessary to ensure that sections 402(a)(37), 402(g), and 417 are being effectively implemented, including at a minimum the average monthly number of families assisted under each such section, the types of such families, the amounts expended with respect to such families, and the length of time for which such families are assisted. The information and data so furnished with respect to families assisted under section 402(g) shall be separately stated with respect to families who have earnings and those who do not, and with respect to families who are receiving aid under the State plan and those who are not.

Notwithstanding any other provision of this section, the amount payable to any State under this part for quarters in a fiscal year shall with respect to quarters in fiscal years beginning after June 30, 1973, be reduced by 1 per centum (calculated without regard to any reduction under section 403(g)) of such amount if such State—

(1) in the immediately preceding fiscal year failed to carry out the provisions of section 402(a)(15)(B) as pertain to requiring the offering and arrangement for provision of family planning services; or

(2) in the immediately preceding fiscal year (but, in the case of the fiscal year beginning July 1, 1972, only considering the third and fourth quarters thereof), failed to carry out the provisions of section 402(a)(15)(B) of the Social Security Act with respect to any individual who, within such period or periods as the Secretary may prescribe, has been an applicant for or recipient of [aid to families with dependent children] aid in the form of family support supplements under the plan of the State approved under this part.

* * * * *

(k)(1)(A) In the case of any State which, effective on or after October 1, 1988, increases the level of the family support supplements which are payable under its approved State plan, the percentage of the total amount expended during any quarter as family support supplements under such plan which would otherwise be payable to the State (without regard to this subsection) as the Federal share of such expenditures under subsection (a)(1) or (2) (with or without the application of section 1118), to the extent that the total amount so expended is attributable to such increase, shall be equal to the percentage of the Federal share of the expenses attributable to such increase, as it would be determined by the application of subsection (a)(1) or (2) without regard to this subsection, increased by 25 percent (but not to more than 90 percent).

(B) If the increase involved becomes effective on the first day of a quarter, subparagraph (A) shall apply with respect to expenditures made on and after such first day. If the increase becomes effective at any other time during a quarter, subparagraph (A) shall apply only with respect to expenditures made on and after the first day of the following quarter.

(C) The resulting net Federal share of the total amounts expended during such quarter as family support supplements under the State

plan (including both the expenditures to which this paragraph applies and the expenditures to which it does not) shall be determined as provided in paragraph (2).

(2)(A) Whenever a State (effective on or after October 1, 1988) increases the level of the family support supplements which are payable under its approved State plan, the Secretary shall determine with respect to each particular size of family separately specified under the plan (assuming for this purpose that no family has any other income)—

(i) the level of such supplements (expressed as a monthly dollar amount) as of September 30, 1988;

(ii) the level of such supplements (expressed as a monthly dollar amount) immediately after such increase becomes effective;

(iii) the dollar amount of the increase (if any) in such level; and

(iv) the percentage of the State's total FSP caseload (i.e., of the total number of families receiving family support supplements under the plan) which is represented by families of that particular size.

(B) The Federal share of the expenditures which are made as family support supplements under the State plan with respect to families of any particular size during any quarter commencing with the later of the quarter beginning October 1, 1988, or the first quarter in which the increase is effective, and which (if any) are attributable to such increase, shall be a percentage equal to—

(i) the sum of (I) the level determined under subparagraph (A)(i) for such families multiplied by the net Federal percentage determined under subsection (a) (1) or (2) or section 1118 without regard to this subsection, and (II) the amount of the increase (if any) determined under subparagraph (A)(iii) for such families multiplied by the percentage of the Federal share of the expenditures attributable to such increase as determined under paragraph (a)(A), divided by—

(ii) the level determined under subparagraph (A)(ii), with the resulting quotient multiplied by—

(iii) the percentage of the State's total FSP caseload which is represented by families of that particular size as determined under subparagraph (A)(iv).

(C) The net Federal share of the total amounts expended during the quarter involved as family support supplements under the State's approved plan for purposes of subsection (a) (1) or (2) shall be a percentage equal to the sum of the percentages determined for all family sizes by the application of clauses (i), (ii), and (iii) of subparagraph (B) to families of each such size separately; and the percentage of such net Federal share as so determined shall be in lieu of the percentage which would otherwise be applied under subsection (a) (1) or (2) or under section 1118.

USE OF PAYMENTS FOR BENEFIT OF CHILD

SEC. 405. Whenever the State agency has reason to believe that any payments of [aid to families with dependent children] aid in

the form of family support supplements made with respect to a child are not being or may not be used in the best interests of the child, the State agency may provide for such counseling and guidance services with respect to the use of such payments and the management of other funds by the relative receiving such payments as it deems advisable in order to assure use of such payments in the best interests of such child, and may provide for advising such relative that continued failure to so use such payments will result in substitution therefor or protective payments as provided under section 406(b)(2), or in seeking appointment of a guardian or legal representative as provided in section 1111, or in the imposition of criminal or civil penalties authorized under State law if it is determined by a court of competent jurisdiction that such relative is not using or has not used for the benefit of the child any such payments made for that purpose; and the provision of such services or advice by the State agency (or the taking of the action specified in such advice) shall not serve as a basis for withholding funds from such State under section 404 and shall not prevent such payments with respect to such child from being considered [aid to families with dependent children] *aid in the form of family support supplements*.

DEFINITIONS

SEC. 406. When used in this part—

(a) * * *

(b) The term “[aid to families with dependent children]” *family support supplements* means money payments with respect to a dependent child or dependent children, or, at the option of the State, a pregnant woman but only if it has been medically verified that the child is expected to be born in the month such payments are made or within the three-month period following such month of payment, and who, if such child had been born and was living with her in the month of payment, would be eligible for [aid to families with dependent children] *aid in the form of family support supplements* and includes (1) money payments to meet the needs of the relative with whom any dependent child is living (and the spouse of such relative if living with him and if such relative is the child's parent and the child is a dependent child by reason of the physical or mental incapacity of a parent or is a dependent child under section 407), and (2) payments with respect to any dependent child (including payments to meet the needs of the relative, and the relative's spouse, with whom such child is living, and the needs of any other individual living in the same home if such needs are taken into account in making the determination under section 402(a)(7)) which do not meet the preceding requirements of this subsection, but which would meet such requirements except that such payments are made to another individual who (as determined in accordance with standards prescribed by the Secretary) is interested in or concerned with the welfare of such child or relative, or are made on behalf of such child or relative directly to a person furnishing food, living accommodations, or other goods, services, or items to or for such child, relative, or other individual, but only

with respect to a State whose State plan approved under section 402 includes provision for—

(A) determination by the State agency that the relative of the child with respect to whom such payments are made has such inability to manage funds that making payments to him would be contrary to the welfare of the child and, therefore, it is necessary to provide such aid with respect to such child and relative through payments described in this clause (2);

* * * * *

(f) Notwithstanding the provisions of subsection (b), the term "[aid to families with dependent children] *aid in the form of family support supplements*" does not mean payments with respect to a parent (or other individual whose needs such State determines should be considered in determining the need of the child or relative claiming aid under the plan of such State approved under this part) of a child who fails to cooperate with any agency or official of the State in obtaining such support payments for such child. Nothing in this subsection shall be construed to make an otherwise eligible child ineligible for protective payments because of the failure of such parent (or such other individual to so cooperate.

(g) Notwithstanding the provisions of subsection (b), the term "[aid to families with dependent children]" does not mean any—

(1) amount paid to meet the needs of an unborn child; or

(2) amount paid (or by which a payment is increased) to meet the needs of a woman occasioned by or resulting from her pregnancy, unless, as has been medically verified, the woman's child is expected to be born in the month such payments are made (or increased) or within the three-month period following such month of payment.

(h) Each dependent child, and each relative with whom such a child is living (including the spouse of such relative as described in subsection (b)), who becomes ineligible for [aid to families with dependent children] *aid in the form of family support supplements* as a result (wholly or partly) of the collection or increased collection of child or spousal support under part D, and who has received such aid in at least three of the six months immediately preceding the month in which such ineligibility begins, shall be deemed to be a recipient of [aid to families with dependent children] *aid in the form of family support supplements*. for purposes of title XIX for an additional four calendar months beginning with the month in which such ineligibility begins.

DEPENDENT CHILDREN OF UNEMPLOYED PARENT

SEC. 407. (a) * * *

[(b) The provisions of subsection (a) shall be applicable to a State if the State's plan approved under section 402—

[(1) requires]

(b) *In providing for the payment of family support supplements under the State's plan approved under section 402 in the case of families which include dependent children within the meaning of subsection (a) of this section, as required by section 402(a)(40), the State's plan—*

(1) *shall require the payment of [aid to families with dependent children] aid in the form of family support supplements with respect to a dependent child as defined in subsection (a) when—*

(A) * * *

* * * * *

(c)(i) such parent has 6 or more quarters of work (as defined in subsection (d)(1)), *including 2 or more quarters of work as defined in subsection (d)(1)(A)*, in any 13-calendar-quarter period ending within one year prior to the application for such aid or (ii) such parent received unemployment compensation under an unemployment compensation law of a State or of the United States, or such parent was qualified (within the meaning of subsection (d)(3)) for unemployment compensation under the unemployment compensation law of the State, within one year prior to the application for such aid; and

(2) *[provides—] shall provide—*

(A) for such assurances as will satisfy the Secretary that unemployed parents of dependent children as defined in subsection (a) *[will be certified to the Secretary of Labor as provided in section 402(a)(19) within 30 days] will participate or apply for participation in the national education, training, and work program under section 416 within 30 days after receipt of aid with respect to such children;*

* * * * *

(C) for the denial of *[aid to families with dependent children] aid in the form of family support supplements to any child or relative specified in subsection (a)—*

(i) if and for so long as such child's parent described in paragraph (1)(A), unless exempt under section 402(a)(19)(A) *[, is not currently registered pursuant to such section for the work incentive program established under part C of this title, or, if he is exempt under such section by reason of clause (iii) thereof or no such program in which he can effectively participate has been established or provided under section 432(a), is not registered] is not currently participating in the national education, training, and work program under section 416, unless such parent is exempt under section 416(c)(4), or, if such parent is exempt under such section 416(c)(4) and has not volunteered for such participation as described in section 416(c)(2), is not registered with the public employment offices in the State, and*

(ii) with respect to any week for which such child's parent described in paragraph (1)(A) qualifies for unemployment compensation under an unemployment compensation law of a State or of the United States, but refuses to apply for or accept such unemployment compensation; and

(D) for the reduction of the [aid to families with dependent children] *aid in the form of family support supplements* otherwise payable to any child or relative specified in subsection (a) by the amount of any unemployment compensation that such child's parent described in paragraph (1)(A) receives under an unemployment compensation law of a State or of the United States.

(c) Notwithstanding any other provisions of this section, expenditures pursuant to this section shall be excluded from [aid to families with dependent children] *aid in the form of family support supplements* (A) where such expenditures are made under the plan with respect to any dependent child as defined in subsection (a), (i) for any part of the 30-day period referred to in subparagraph (A) of subsection (b)(1), or (ii) for any period prior to the time when the parent satisfies subparagraph (B) of such subsection, and (B) if, and for as long as, no action is taken (after the 30-day period referred to in subparagraph (A) of subsection (b)(2)), under the program therein specified, [to certify such parent to the Secretary of Labor pursuant to section 402(a)(19).] *to participate in the national education, training, and work program under section 416.*

(d) For purposes of this section—

(1) the term “quarter of work” with respect to any individual means a calendar quarter (A) in which such individual received earned income of not less than \$50 (or which is a “quarter of coverage” as defined in section 213(a)(2)), or in which such individual participated in a community work experience program [under section 409, or the work incentive program established under part C;] *under section 416(j), or (B) if the State plan so provides (but subject to the last sentence of this subsection), in which such individual (i) was in regular full-time attendance as a student at an elementary or secondary school, (ii) was in regular full-time attendance in a course of vocational or technical training designed to fit him or her for gainful employment, or (iii) participated in an education or training program established under the Job Training Partnership Act;*

* * * * *

(4) the phrase “whichever of such child's parents is the principal earner”, in the case of any child, means whichever parent, in a home in which both parents of such child are living, earned the greater amount of income in the 24-month period the last month of which immediately precedes the month in which an application is filed for aid under this part on the basis of the unemployment of a parent, for each consecutive month for which the family receives such aid on that basis.

No individual shall be credited during his or her lifetime (for purposes of subsection (b)(1)(C)(i)) with more than 4 “quarters of work” based on attendance in a course or courses of vocational or technical training as described in paragraph (1)(B)(ii) of this subsection.

[(e) The Secretary and the Secretary of Labor shall jointly enter into an agreement with each State which is able and willing to do so for the purpose of (1) simplifying the procedures to be followed by unemployed parents and other unemployed persons in such

State in registering pursuant to section 402(a)(19) for the work incentive program established by part C of this title and in registering with public employment offices (under this section and otherwise) or in connection with applications for unemployment compensation, by reducing the number of locations or agencies where such persons must go in order to register for such programs and in connection with such applications, and (2) providing where possible for a single registration satisfying this section and the requirements of both the work incentive program and the applicable unemployment compensation laws.]

【COMMUNITY WORK EXPERIENCE PROGRAMS

【SEC. 409. (a)(1) Any State which chooses to do so may establish a community work experience program in accordance with this section. The purpose of the community work experience program is to provide experience and training for individuals not otherwise able to obtain employment, in order to assist them to move into regular employment. Community work experience programs shall be designed to improve the employability of participants through actual work experience and training and to enable individuals employed under community work experience programs to move promptly into regular public or private employment. The facilities of the State public employment offices may be utilized to find employment opportunities for recipients under this program. Community work experience programs shall be limited to projects which serve a useful public purpose in fields such as health, social service, environmental protection, education, urban and rural development and mental protection, education, urban and rural development and redevelopment, welfare, recreation, public facilities, public safety, and day care. To the extent possible, the prior training, experience, and skills of a recipient shall be utilized in making appropriate work experience assignments. A community work experience program established under this section shall provide—

【(A) appropriate standards for health, safety, and other conditions applicable to the performance of work;

【(B) that the program does not result in displacement of person currently employed, or the filling of established unfilled position vacancies;

【(C) reasonable conditions of work, taking into account the geographic region, the residence of the participants, and the proficiency of the participants;

【(D) that participants will not be required, without their consent, to travel an unreasonable distance from their homes or remain away from their homes overnight;

【(E) that the maximum number of hours in any month that a participant may be required to work is that number which equals the amount of aid payable with respect to the family of which such individual is a member under the State plan approved under this part, divided by the greater of the Federal or the applicable State minimum wage; and

【(F) that (i) except as provided in clause (ii) provision will be made for transportation and other costs, not in excess of an amount established by the Secretary, reasonably necessary and

directly related to participation in the program, and (ii) to the extent that the State is unable to provide for the costs involved through the furnishing of services directly to the individuals participating in the program, participants who are recipients of aid under the State's plan approved under section 402 will instead be reimbursed for transportation costs directly related to their participation in the program (in amounts equal to the cost of transportation by the most appropriate means as determined by the State agency), and for day care expenses directly attributable to such participation (in amounts determined by the State agency to be reasonable, necessary, and cost-effective but not in excess of the comparable maximum day care deduction allowed under section 402(a)(8)(A)(iii) for recipients of aid under the plan generally); and amounts paid as reimbursement to participants under clause (i) or (ii) shall be considered, for purposes of section 403(a), to be expenditures made for the proper and efficient administration of the State's plan approved under section 402.

[(2) Nothing contained in this section shall be construed as authorizing the payment of aid under this part as compensation for work performed, nor shall a participant be entitled to a salary or to any other work or training expense provided under any other provision of law by reason of his participation in a program under this section.

[(3) Nothing in this part or part C, or in any State plan approved under this part, shall be construed to prevent a State from operating (on such terms and conditions and in such cases as the State may find to be necessary or appropriate, whether or not such terms, conditions, and cases are consistent with section 402(a)(19) or part C) a community work experience program in accordance with this section.

[(4)(A) Participants in community work experience programs under this section may, subject to subparagraph (B), perform work in the public interest (which otherwise meets the requirements of this section) for a Federal office or agency with its consent, and, notwithstanding section 1342 of title 31, United States Code, or any other provision of law, such agency may accept such services, but such participants shall not be considered to be Federal employees for any purpose.

[(B) The State agency shall provide appropriate workers' compensation and tort claims protection to each participant performing work for a Federal office or agency pursuant to subparagraph (A) on the same basis as such compensation and protection are provided to other participants in community work experience programs in the State.

[(b)(1) Each recipient of aid under the plan who is registered under section 402(a)(19) shall participate, upon referral by the State agency, in a community work experience program unless such recipient is currently employed for no fewer than 80 hours a month and is earning an amount not less than the applicable minimum wage for such employment.

[(2) In addition to an individual described in paragraph (1), the State agency may also refer for participation in programs under this section, an individual who would be required to register under

section 402(a)(19)(A) but for the exception contained in clause (v) of such section (but only if the child for whom the parent or relative is caring is not under the age of three and child care is available for such child), or in clause (iii) of such section.

[(3) The chief executive officer of the State shall provide coordination between a community work experience program operated pursuant to this section, any program of employment search under section 402(a)(35), and the work incentive program operated pursuant to part C so as to insure that job placement will have priority over participation in the community work experience program, and that individuals eligible to participate in more than one such program are not denied aid under the State plan on the grounds of failure to participate in one such program if they are actively and satisfactorily participating in another. The chief executive officer of the State may provide that part-time participation in more than one such program may be required where appropriate.

[(c) The provisions of section 402(a)(19)(F) shall apply to any individual referred to a community work experience program who fails to participate in such program in the same manner as they apply to an individual to whom section 402(a)(19) applies.

[(d) In the case of any State which makes expenditures in the form described in subsection (a) under its State plan approved under section 402, expenditures for the proper and efficient administration of the State plan, for purposes of section 403(a)(3), may not include the cost of making or acquiring materials or equipment in connection with the work performed under a program referred to in subsection (a) or the cost of supervision of work under such program, and may include only such other costs attributable to such programs as are permitted by the Secretary.]

* * * * *

[WORK SUPPLEMENTATION PROGRAM

[SEC. 414. (a) It is the purpose of this section to allow a State to institute a work supplementation program under which such State, to the extent such State determines to be appropriate, may make jobs available, on a voluntary basis, as an alternative to aid otherwise provided under the State plan approved under this part.

[(b)(1) Notwithstanding the provisions of section 406 or any other provision of law, Federal funds may be paid to a State under this part, subject to the provisions of this section, with respect to expenditures incurred in operating a work supplementation program under this section.

[(2) Nothing in this part or part C, or in any State plan approved under this part, shall be construed to prevent a State from operating (on such terms and conditions and in such cases as the State may find to be necessary or appropriate, whether or not such terms, conditions, and cases are consistent with section 402(a)(19) or part C) a work supplementation program in accordance with this section.

[(3) Notwithstanding section 402(a)(23) or any other provision of law, a State may adjust the levels of the standards of need under the State plan as the State determines to be necessary and appro-

priate for carrying out a work supplementation program under this section.

[(4) Notwithstanding section 402(a)(1) or any other provision of law, a State operating a work supplementation program under this section may provide that the needs standards in effect in those areas of the State in which such program is in operation may be different from the needs standards in effect in the areas in which such program is not in operation, and such State may provide that the needs standards for categories of recipients of aid may vary among such categories as the State determines to be appropriate on the basis of ability to participate in the work supplementation program.

[(5) Notwithstanding any other provision of law, a State may make further adjustments in the amounts of aid paid under the plan to different categories of recipients (as determined under paragraph (4)) in order to offset increases in benefits from needs related programs (other than the State plan approved under this part) as the State determines to be necessary and appropriate to further the purposes of the work supplementation program.

[(6) Notwithstanding section 402(a)(8) or any other provision of law, a State operating a work supplementation program under this section (A) may reduce or eliminate the amount of earned income to be disregarded under the State plan as the State determines to be necessary and appropriate to further the purposes of the work supplementation program and (B) during one or more of the first nine months of an individual's employment pursuant to a program under this section, may apply to the wages of the individual the provisions of section 402(a)(8)(A)(iv) without regard to the provisions of (B)(ii)(II) of such section.

[(c)(1) A work supplementation program operated by a State under this section shall provide that any individual who is an eligible individual (as determined under paragraph (2)) may choose to take a supplemented job (as defined in paragraph (3)) to the extent supplemented jobs are available under the program. Payments by the State to individuals or to employers under the program shall be expenditures incurred by the State for aid to families with dependent children except as limited by subsection (d).

[(2) For purposes of this section, an eligible individual is an individual who is in a category which the State determines shall be eligible to participate in the work supplementation program, and who would, at the time of his placement in such job, be eligible for assistance under the State plan if such State did not have a work supplementation program in effect and had not altered its State plan accordingly, as such State plan was in effect in May 1981, or as modified thereafter as required by Federal law.

[(3) For purposes of this section, a supplemented job is—

[(A) a job position provided to an eligible individual by the State or local agency administering the State plan under this part; or

[(B) a job position provided to an eligible individual by any other employer for which all or part of the wages are paid by such State or local agency.

A State may provide or subsidize any job position under the program as such State determines to be appropriate, but acceptance of any such position shall be voluntary.

[(d) The amount of the Federal payment to a State under section 403 for expenditures incurred in making payments to individuals and employers under a work supplementation program shall not exceed an amount equal to the amount which would otherwise be payable under such section if the family of each individual employed in the program established in such state under this section had received the maximum amount of aid payments under the State plan to such a family with no income (without regard to adjustments under subsection (b) of this section) for a period of months equal to the lesser of (1) nine months, or (2) the number of months in which such individual was employed in such program.

[(e)(1) Nothing in this section shall be construed as requiring a State or local agency administering the State plan to provide employee status to any eligible individual to whom it provides a job position under the work supplemental program, or with respect to whom it provides all or part of the wages paid to such individual by another entity under such program.

[(2) Nothing in this section shall be construed as requiring such State or local agency to provide that eligible individuals filling job positions provided by other entities under such program be provided employee status by such entity during the first 13 weeks during which they fill such position.

[(3) Wages paid under a work supplementation program shall be considered to be earned income for purposes of any provision of law.

[(f) Any work supplementation program operated by a State shall be administered by—

[(1) the agency designated to administer or supervise the administration of the State plan under section 402(a)(3); or

[(2) the agency (if any) designated to administer the community work experience program under section 409.

[(g) Any State which chooses to operate a work supplementation program under this section may choose to provide that any individual who participates in such program, and any child or relative of such individual (or other individual living in the same household as such individual) who would be eligible for aid under the State plan approved under this part if such State did not have a work supplementation program, shall be considered individuals receiving aid under the State plan approved under this part for purposes of eligibility for medical assistance under the State plan approved under title XIX.

[(h) No individual receiving a grant under the State plan shall be excused, by reason of the fact that such State has a work supplementation program, from any requirement of this part or part C relating to work requirements (except during any period in which such individual is employed under such work supplementation program).]

NATIONAL EDUCATION, TRAINING, AND WORK PROGRAM

SEC. 416. (a) PURPOSE.—It is the purpose of this section to assure that needy children and parents obtain the education, training, and employment which will help them avoid long-term welfare dependence.

(b) ESTABLISHMENT AND OPERATION OF PROGRAMS.—(1) As a condition of its participation in the Family Support Program under this part, each State shall establish and operate an education, training, and work program which has been approved by the Secretary as meeting all of the requirements of this section, and shall make the program available in each political subdivision of the State where it is feasible to do so after taking into account the number of prospective participants, the local economy, and other relevant factors. The Secretary's approval shall be based on a plan setting forth and describing the program and estimating the number of persons to be served, which shall be submitted by the State on or before the effective date of this section and which, if the State has determined that the program is not to be available in all of its political subdivisions, shall include appropriate justification for that determination.

(2) Each State education, training, and work program under this section shall include private sector and local government involvement in planning and program design to assure that participants are trained for jobs that will actually be available in the community.

(3) The State agency which administers or supervises the administration of the State's plan approved under section 402 shall be responsible for the operation and administration of the State's education, training, and work program under this section.

(4) Federal funds made available to a State for purposes of the program under this section shall be used to augment and expand existing services and activities which promote the purpose of this section, and shall not in whole or in part replace or supplant any State or local funds already being expended for that purpose.

(c) PARTICIPATION.—(1) Each adult recipient of family support supplements in the State who is not exempt under paragraph (4) shall be required to participate in the program under this section to the extent that the program is available in the political subdivision where he or she resides and State resources otherwise permit. The State agency shall take such action as may be necessary to ensure that each recipient of such supplements (including each such recipient who is exempt under paragraph (4)) is notified and fully informed concerning the education, training, and work opportunities offered under the program.

(2) The State may require participation in the program under this section by recipients who are not exempt under paragraph (4) (hereinafter referred to as 'mandatory participants'), and shall also extend the opportunity to participate in the program to recipients who are exempt under paragraph (4) (hereinafter referred to as 'volunteers'). The State shall actively encourage volunteers to participate in the program, and shall from time to time furnish to the Secretary appropriate assurances that it is doing so.

(3) *With the objective of making the most effective possible use of the State's resources and identifying the families which most urgently need the services and activities provided under the program under this section, the program shall establish (and the plan submitted under subsection (b)(1) shall designate) specific target populations including—*

(A) *families with a teenage parent, and families with a parent who was under 18 years of age when the first child was born;*

(B) *families that have been receiving aid to families with dependent children or family support supplements continuously for two or more years; and*

(C) *families with one or more children under 6 years of age. For purposes of subparagraph (B), a family that has received aid to families with dependent children or family support supplements for at least 20 months out of any period of 24 consecutive months shall be treated as having received such aid or supplements continuously during that period.*

(4) *The following are exempt from participation in the program under this section:*

(A) *an individual who is ill, incapacitated, or 60 years of age or over;*

(B) *an individual who is needed in the home because of the illness or incapacity of another family member;*

(C) *the parent or other caretaker relative of a child under 3 years of age (subject to the last sentence of this paragraph); except that—*

(i) *the State may not require participation in the program by a parent or other caretaker relative of a child who has attained 3 years of age but not 6 years of age unless day care is guaranteed to such relative and his or her participation is on a part-time basis,*

(ii) *the State shall permit and encourage participation in the program (and waive the exemption provided by this subparagraph) in the case of parents and other caretaker relatives of children who have not attained 3 years of age, where day care is guaranteed to the relative involved and his or her participation is on a part-time basis, and*

(iii) *the Secretary may permit the State at its option to require participation in the program (and waive the exemption provided by this subparagraph) in the case of parents and other caretaker relatives whose youngest child has attained 1 year of age but not 3 years of age if (I) the State demonstrates to the satisfaction of the Secretary that appropriate infant care for each such child who has not attained 3 years of age can be guaranteed within the applicable dollar limitations set forth in section 402(g)(1), and (II) such relative's participation will be on a part-time basis;*

(D) *an individual who is working 20 or more hours a week;*

(E) *a child who is under the age of 16 or attending, full time, an elementary, secondary, or vocational (or technical) school, except in the case of a minor parent with respect to whom the State has exercised its option under section 417(c);*

(F) *a woman who is pregnant; and*

(G) an individual who resides in an area of the State where the program is not available.

In the case of a two-parent family to which section 407 applies, the exemption under subparagraph (C) shall apply only to one parent or other caretaker relative; but the State may at its option make such exemption inapplicable in any such case to both of the parents or relatives involved (and require their participation in the program; at least one of them on a full-time basis) if appropriate child care is guaranteed in accordance with the applicable provisions of such subparagraph.

(5) If the caretaker relative or any dependent child in the family is already attending (in good standing) a school or a course of vocational or technical training designed to lead to employment at the time he or she would otherwise commence participation (as a mandatory participant or volunteer) in the program under this section, such attendance shall constitute satisfactory participation in the educational or training component of the program (by that caretaker or child) so long as it continues; and the family support plan (entered into under subsection (f)) shall so indicate. The costs of such school or training shall not constitute federally reimbursable expenses for purposes of section 403 (but this sentence shall not prevent the State from providing or making reimbursement for the cost of day care which is necessary for such attendance in accordance with section 402(g)(1)).

(d) **PRIORITIES.**—(1) To the extent that the State's resources do not permit the inclusion in the program of all mandatory participants and volunteers, the selection of the families to whom services are to be provided under the program under this section shall be made (subject to subsection (1)(3) and paragraphs (2) and (3) of this subsection) in accordance with the following priorities:

(A) First priority shall be given to volunteers who are described in subparagraphs (A), (B), and (C) of subsection (c)(3).

(B) Second priority shall be given to mandatory participants who are described in subparagraphs (A), (B), and (C) of subsection (c)(3).

(C) Third priority shall be given to mandatory participants (not described in subparagraph (B)) in families with older children.

(D) Fourth priority shall be given to volunteers not described in subparagraph (A).

(E) Fifth priority shall be given to all other mandatory participants.

For purposes of subparagraph (C), a family "with older children" is a family in which the youngest child is within two years of being ineligible for family support supplements because of his or her age.

(2) Among the mandatory participants described in subparagraph (B), (C), or (E) of paragraph (1), first consideration shall be given to those who actively seek to participate in the program.

(3) In the case of a State which provides satisfactory assurances that it will make available the resources to serve all mandatory participants and volunteers within a 3-year period after the effective date of this section, paragraph (1) shall not apply until the expiration of such 3-year period.

(e) **ORIENTATION.**—The State agency shall provide each applicant for family support supplements with orientation to the program under this section, including full information about the opportunities offered by the program and the obligations of participants in the program (and including descriptions of day care services and available health coverage transition options). Such orientation shall also be available at any time to recipients of family support supplements who did not receive orientation under this subsection at the time of their initial application for such supplements or who need additional information about the program.

(f) **ASSESSMENT AND FAMILY SUPPORT PLAN.**—The State agency shall make an initial assessment of the educational needs, skills, and employability of each participant in the program under this section, including a review of the family circumstances and of the needs of the children as well as those of the adult caretaker; and on the basis of such assessment the State agency and the participating members of the family (or the adult caretaker with respect to any such participant who is a minor) shall negotiate a family support plan for the family. The family support plan shall set forth and describe all of the activities in which participants in the family will take part under the program, and shall, to the maximum extent possible and consistent with this section, reflect the respective preferences of such participants.

(g) **AGENCY-CLIENT AGREEMENT AND CASE MANAGEMENT.**—(1) Following the initial assessment and the development of the family support plan with respect to any family under this section, the State agency and the participating members of the family (or the caretaker relative in the family with respect to participants who are minors) shall negotiate and enter into an agency-client agreement including a commitment by the participants (or caretaker) to participate in the program in accordance with the family support plan, specifying in detail the activities in which the participants will take part and the conditions and duration of such participation, and detailing all of the activities which the State will conduct and the services which the State will provide in the course of such participation. The participants (or caretaker) shall be given such assistance as may be required in reviewing and understanding the family support plan and the agency-client agreement.

(2)(A) Each participant shall be guaranteed an opportunity for a fair hearing before the State agency in the event of a dispute involving the contents of the family support plan, the contents or signing of the agency-client agreement, the nature or extent of his or her participation in the program as specified therein, or any other aspect of such participation which is provided for under this section (including a dispute involving the imposition of sanctions under subsection (1) and the participant's right to conciliation before any such sanction is imposed); and the agency-client agreement shall so provide.

(B) In no case shall any agency-client agreement entered into pursuant to this subsection give rise to a cause of action against the Federal Government or any officer or agency thereof if any party to such agreement fails to observe its terms.

(3) The State agency shall assign to each participating family a member of the agency staff to provide case management services to

the family; and the case manager so assigned shall be responsible for (A) obtaining or brokering, on behalf of the family, any other services which may be needed to assure the family's effective participation, (B) monitoring the progress of the participant, and (C) periodically reviewing and renegotiating the family support plan and the agency-client agreement as appropriate. Amounts expended in providing case management services under this paragraph shall be considered, for purposes of section 403(a)(3)(C), to be expenditures for the proper and efficient administration of the State plan.

(h) **RANGE OF SERVICES AND ACTIVITIES.**—(1) In carrying out the program under this section, each State must make available a broad range of services and activities calculated to aid in carrying out the purpose of this section, specifically including (subject to the next to last sentence of this paragraph and to paragraph (2))—

(A) high school or equivalent education (combined with training when appropriate) designed specifically for participants who do not have a high school diploma, except in the case of a participant who demonstrates a basic literacy level and whose family support plan identifies a long-term employment goal that does not require a high school diploma;

(B) remedial education to achieve a basic literacy level, instruction in English as a second language, and specialized advanced education in appropriate cases;

(C) group and individual job search as described in subsection (k);

(D) on-the-job training;

(E) skills training;

(F) work supplementation programs as provided in subsection (i);

(G) community work experience programs as provided in subsection (j);

(H) job readiness activities to help prepare participants for work;

(I) counseling, information, and referral for participants experiencing personal and family problems which may be affecting their ability to work;

(J) job development, job placement, and follow-up services to assist participants in securing and retaining employment and advancement as needed; and

(K) other education and training activities as determined by the State and allowed by regulations of the Secretary.

The State must in any event make available the services and activities described in subparagraphs (A), (B), (C), (E), (H), (I), and (J) along with the services and activities described in at least two of the remaining subparagraphs. The provisions of paragraphs (4) through (8) of this subsection shall apply with respect to all of the services and activities described in this subsection.

(2) Any participant lacking a high school diploma shall be offered the opportunity to participate in a program which addresses the education needs identified in the participant's initial assessment, including high school or equivalent education designed specifically for participants who do not have a high school diploma, remedial education to achieve a basic literacy level, or instruction in English as a Second Language; and both the family support plan and the

agency-client agreement shall so provide. Any other services or activities to which such a participant is assigned under the agreement may not be permitted to interfere with his or her participation in an appropriate education program under this paragraph.

(3) Children in participating families who are not themselves participants in the program under this section shall be encouraged to take part in any of the education or training programs available under the program; and the State must also provide to such children additional services specifically designed to help them stay in school (including financial incentives as appropriate), complete their high school education, and obtain marketable job skills (including services provided under a demonstration program conducted pursuant to section 1115(b)(1)). Training activities in which such children participate may not, however, be permitted to interfere with their school attendance.

(4)(A) Each assignment of a participant under the program shall be consistent with the physical capacity, skills, experience, health, family responsibilities, and place of residence of such participant.

(B) Before assigning a participant to any activity under the program, the State shall assure that—

(i) appropriate standards for health, safety, and other conditions are applicable to participation in such activity;

(ii) the conditions of participation in such activity are reasonable, taking into account the geographic region, the residence of the participant, and the proficiency of the participant; and

(iii) the participant will not be required, without his or her consent, to travel an unreasonable distance from his or her home or remain away from such home overnight.

(5) No assignment under the program shall result in—

(A) the displacement of any currently employed worker or position (including partial displacement such as a reduction in the hours of nonovertime work, wages, or employment benefits), or result in the impairment of existing contracts for services or collective bargaining agreements;

(B) the employment or assignment of a participant or the filling of a position when (i) any other individual is on layoff from the same or any equivalent position, or (ii) the employer has terminated the employment of any regular employee or otherwise reduced its workforce with the intention of filling the vacancy so created with a participant subsidized under this section; or

(C) any infringement of the promotional opportunities of any currently employed individual.

(6) The wage rate for any position to which a participant is assigned shall be at least equal to the current pay scale for that position, or, if there is no current pay scale for that position, shall be at least equal to the greater of the applicable Federal or State minimum wage; and appropriate worker's compensation and tort claims protection shall be provided to all participants on the same basis as such compensation and protection are provided to other employed individuals in the State.

(7)(A) Each State agency shall establish and maintain a grievance procedure for dealing with complaints about its programs and activities under this section from participants, subgrantees, subcontractors, and other interested persons. Hearings on any complaint

shall be conducted within 30 days after the date on which the complaint is filed and a decision shall be made no later than 60 days after such date.

(B) The decision of the State agency may be appealed to the Secretary under the procedures established in subparagraph (C), and the complaint itself may be appealed to the Secretary under such procedures if the State agency fails to make a decision within the prescribed 60-day period.

(C)(i) Whenever an appeal to the Secretary, alleging that paragraph (4), (5), (6), or (8) has been violated, is made under subparagraph (B), a copy of the complaint shall be transmitted at the same time to the entity alleged to have committed the violation. An opportunity shall be afforded to such entity to review the complaint and to submit a reply to the Secretary within 15 days after receiving the copy of such complaint.

(ii) An official who shall be designated by the Secretary shall review any complaint submitted in accordance with clause (i), and conduct such investigation as may be necessary, to ascertain the accuracy of the information set forth or alleged and to determine whether there is substantial evidence that the affected activities fail to comply with paragraph (4), (5), (6), or (8). Such official shall report his findings and recommendations to the Secretary within 60 days after commencing the review and investigation.

(iii) The Secretary, within 45 days after receiving the report under clause (ii) shall issue a final determination as to whether a violation of paragraph (4), (5), (6), or (8) has occurred.

(iv) The Secretary shall institute proceedings to compel the repayment of any funds determined to have been expended in violation of paragraph (4), (5), (6), or (8).

(D) The existence of the remedies provided by this section shall not preclude any person who alleges that an action of a State agency violates any of the provisions of this section from instituting a civil action or pursuing any other remedy authorized under Federal, State, or local law.

(8) The State may not require a participant in the program to accept a position under the program (as work supplementation or otherwise) if accepting the position would result in a net loss of income (including the insurance value of any health benefits) to the participant or his or her family.

(9) Program activities under this section shall be coordinated in each State with programs operated under the Job Training Partnership Act and with any other relevant employment, training, and education programs available in that State. Appropriate components of the State's plan developed under subsection (b)(1) which relate to job training and workplace preparation shall be consistent with the coordination criteria specified in the Governor's coordination and special services plan required under section 121 of the Job Training Partnership Act. The State plan so developed shall be submitted to the State job training coordinating council not less than 90 days prior to its submission to the Secretary, for the purpose of review and comment by the council on those provisions of the plan related to delivery of job training services and of coordinating activities under this section with similar activities under the Job Training Partnership Act.

(10) Program activities under this section shall be coordinated in each State with existing early childhood education programs in that State.

(11) In carrying out the program under this section, the State may enter into appropriate contracts and other arrangements with public and private agencies and organizations for the provision or conduct of any services or activities made available under the program.

(i) **WORK SUPPLEMENTATION PROGRAMS.**—(1) Any State may institute a work supplementation program under which such State, to the extent it considers appropriate, may reserve the sums which would otherwise be payable to participants in the program under this section as family support supplements under the State plan approved under this part and use such sums instead for the purpose of providing and subsidizing jobs for such participants (as described in paragraph (3)(C)(i) and (ii)), as an alternative to the supplements which would otherwise be so payable to them under such plan.

(2)(A) Notwithstanding any other provision of law, Federal funds may be paid to a State under this part, subject to the provisions of this section, with respect to expenditures incurred in operating a work supplementation program under this subsection.

(B) Nothing in this part, or in any State plan approved under this part, shall be construed to prevent a State from operating (on such terms and conditions and in such cases as the State may find to be necessary or appropriate) a work supplementation program in accordance with this subsection.

(C) Notwithstanding any other provision of law, a State may adjust the levels of the standards of need under the State plan to the extent the State determines such adjustments to be necessary and appropriate for carrying out a work supplementation program under this subsection.

(D) Notwithstanding any other provision of law, a State operating a work supplementation program under this subsection may provide that the need standards in effect in those areas of the State in which such program is in operation may be different from the need standards in effect in the areas in which such program is not in operation, and such State may provide that the need standards for categories of recipients of family support supplements may vary among such categories to the extent the State determines to be appropriate on the basis of ability to participate in the work supplementation program.

(E) Notwithstanding any other provision of law, a State may make further adjustments in the amounts of the family support supplements paid under the plan to different categories of recipients (as determined under subparagraph (D)) in order to offset increases in benefits from needs-related programs (other than the State plan approved under this part), to the extent the State determines such adjustments to be necessary and appropriate to further the purposes of the work supplementation program.

(F) In determining the amounts to be reserved and used for providing and subsidizing jobs under this subsection as described in paragraph (1), the State may use a sampling methodology.

(G) Notwithstanding section 402(a)(8) or any other provision of law, a State operating a work supplementation program under this subsection may reduce or eliminate the amount of earned income to

be disregarded under the State plan to the extent the State determines such a reduction or elimination to be necessary and appropriate to further the purposes of the work supplementation program.

(3)(A) A work supplementation program operated by a State under this subsection shall provide that any individual who is an eligible individual (as determined under subparagraph (B)) shall take a supplemented job (as defined in subparagraph (C)) to the extent that supplemented jobs are available under the program. Payments by the State to individuals or employers under the program shall be treated as expenditures incurred by the State for family support supplements under the State plan for purposes of section 403(a)(1) and (2), except as limited by paragraph (4).

(B) For purposes of this subsection, an eligible individual is an individual (not exempt under subsection (c)(4)) who is in a category which the State determines should be eligible to participate in the work supplementation program, and who would, at the time of his or her placement in the job involved, be eligible for family support supplements under the State plan if such State did not have a work supplementation program in effect.

(C) For purposes of this subsection, a supplemented job is—

(i) a job provided to an eligible individual by the State or local agency administering the State plan under this part; or

(ii) a job provided to an eligible individual by any other employer for which all or part of the wages are paid by such State or local agency.

A State may provide or subsidize any job under the program under this section which such State determines to be appropriate.

(D) At the option of the State, individuals who hold supplemented jobs under a State's work supplementation program shall be exempt from the retrospective budgeting requirements imposed pursuant to section 402(a)(13)(A)(ii) (and the amount of the aid which is payable to the family of such individual for any month, or which would be so payable but for the family's participation in the work supplementation program, shall be determined on the basis of the income and other relevant circumstances in that month).

(E) Paragraphs (4) through (8) of subsection (h) shall apply with respect to assignments of eligible individuals to supplemented jobs under this subsection.

(4) The amount of the Federal payment to a State under section 403(a) for expenditures incurred in making payments to individuals and employers under a work supplementation program under this subsection shall not exceed an amount equal to the amount which would otherwise be payable under paragraph (1) or (2) of such section if the family of each individual employed in the program had received the maximum amount of family support supplements payable under the State plan to such a family with no income (without regard to adjustments under paragraph (2) of this subsection) for a period of months equal to the lesser of (A) nine months, or (B) the number of months in which such individual was employed in such program. Expenditures so incurred shall be considered to have been made for family support supplements under the State plan for purposes of section 403(a)(1) and (2).

(5)(A) Nothing in this subsection shall be construed as requiring the State or local agency administering the State plan to provide

employee status to an eligible individual to whom it provides a job under the work supplementation program (or with respect to whom it provides all or part of the wages paid to the individual by another entity under such program), or as requiring any State or local agency to provide that an eligible individual filling a job position provided by another entity under such program be provided employee status by such entity, during the first 13 weeks such individual fills that position.

(B) Wages paid under a work supplementation program shall be considered to be earned income for purposes of any provision of law.

(6) Any State which chooses to operate a work supplementation program under this subsection must provide that any individual who participates in such program, and any child or relative of such individual (or other individual living in the same household as such individual) who would be eligible for family support supplements under the State plan approved under this part if such State did not have a work supplementation program, shall be considered individuals receiving family support supplements under the State plan approved under this part for purposes of eligibility for medical assistance under the State plan approved under title XIX.

(j) **COMMUNITY WORK EXPERIENCE PROGRAMS.**—(1)(A) Any State which chooses to do so may establish a community work experience program in accordance with this subsection. The purpose of the community work experience program is to provide experience and training for individuals not otherwise able to obtain employment, in order to assist them to move into regular employment. Community work experience programs shall be designed to improve the employability of participants through actual work experience and training and to enable individuals employed under community work experience programs to move promptly into regular public or private employment. Community work experience programs shall be limited to projects which serve a useful public purpose in fields such as health, social service, environmental protection, education, urban and rural development and redevelopment, welfare, recreation, public facilities, public safety, and day care. To the extent possible, the prior training, experience, and skills of a recipient shall be used in making appropriate work experience assignments. Participants in a program under this subsection may not fill established unfilled position vacancies.

(B) A State which elects to establish a community work experience program under this subsection shall operate such program so that each participant (as determined by the State) either—

(i) works and undergoes training for a period not exceeding 6 months, with the maximum number of hours that any such individual may be required to work and undergo training in any month being a number equal to the amount of the family support supplements payable with respect to the family of which such individual is a member under the State plan approved under this part, divided by the current hourly pay scale for the position in which the participant works, or (if there is no current pay scale for that position) by the greater of the applicable Federal or State minimum wage (and the portion of a recipient's benefit for which the State is reimbursed by a child support payment shall not be taken into account in determining

the number of hours that such individual may be required to work); or

(ii) performs unpaid work experience and training (for a combined total of not more than 30 hours a week) for a period not exceeding 3 months.

Paragraphs (4) through (7) of subsection (h) shall apply with respect to the assignment of participants to positions under this section.

(C) Nothing contained in this subsection shall be construed as authorizing the payment of family support supplements under this part as compensation for work performed, nor shall a participant be entitled to a salary or to any other work or training expense provided under any other provision of law by reason of his participation in a program under this subsection.

(D) Nothing in this part or in any State plan approved under this part shall be construed to prevent a State from operating (on such terms and conditions and in such cases as the State may find to be necessary or appropriate) a community work experience program in accordance with this subsection.

(E) Participants in community work experience programs under this subsection may perform work in the public interest (which otherwise meets the requirements of this section) for a Federal office or agency with its consent, and, notwithstanding section 1342 of title 31, United States Code, or any other provision of law, such agency may accept such services, but such participants shall not be considered to be Federal employees for any purpose.

(F) If at the conclusion of his or her participation in a community work experience program the individual has not become employed, a reassessment with respect to such individual shall be made and a new family support plan developed as provided in subsection (f). In no event shall any individual who has completed the work and training activities described in clause (i) of subparagraph (B), or the work experience and training activities described in clause (ii) of such subparagraph, be required to repeat such activities or be reassigned to perform work or undergo training under either such clause.

(2) The State shall provide coordination between a community work experience program operated pursuant to this subsection, any program of job search under subsection (k), and the other work-related activities under the program established by this section so as to insure that job placement will have priority over participation in the community work experience program.

(3) In the case of any State which makes expenditures in the form described in paragraph (1) under its State plan approved under section 402, expenditures for the provision of training under a program under this subsection, for purposes of section 403(a)(4) (and expenditures for the proper and efficient administration of the State plan, for purposes of section 403(a)(3)), may not include the cost of making or acquiring materials or equipment in connection with such training services or the cost of supervision of work or training under such program, and may include only such other costs attributable to such program as are permitted by the Secretary.

(k) **JOB SEARCH.**—(1) The State agency shall establish and carry out a program of job search for applicants and participants in the program under this section.

(2) *Participants in the program under this section shall be encouraged and may be required to take part in job search under this subsection, at such times, for such periods, and in such manner as the State agency determines (in each particular case) will be most effective in serving the special needs and interests of the individual involved and in carrying out the purpose of this section. Job search by an applicant may be required or provided for while his or her application is being processed; and job search by a participant may be required or provided for after his or her initial assessment, after his or her education or training, and at other appropriate times during his or her participation in the program under this section, as may be set forth in the agency-client agreement entered into between such individual and the State agency under subsection (g)(1) and as otherwise provided by the State agency. No requirement imposed by the State under the preceding provisions of this paragraph may be used as a reason for any delay in making a determination of an individual's eligibility for family support supplements or in issuing a payment to or on behalf of any individual who is otherwise eligible for such supplements.*

(3) *Participation by an individual in job search under this subsection, without participation in one or more other services or activities offered under the program under this section, shall not be sufficient to qualify as participation in the program for any of the purposes of this section after it has continued for 8 weeks or longer without the individual obtaining a job. In any such case (after 8 weeks of job search without obtaining a job) the individual must engage in training, education, or other activities designed to improve his or her prospects for employment; and the family support plan developed under subsection (f) shall so provide.*

(1) **SANCTIONS.**—(1) *If any mandatory participant in the program under this section fails without good cause to comply with any requirement imposed with respect to his or her participation in such program—*

(A) *the needs of such participant (whether or not section 407 applies) shall not be taken into account in making the determination with respect to his or her family under section 402(a)(7), and*

(B) *if such participant is a member of a family which is eligible for family support supplements by reason of section 407, and his or her spouse is not participating in the program, the needs of such spouse shall also not be taken into account in making such determination.*

The sanction described in subparagraph (A) (and the sanction described in subparagraph (B) if applicable) shall continue until the participant's failure to comply ceases; except that such sanction shall continue for a minimum of 3 months if the failure to comply is the participant's second or a subsequent such failure.

(2) *No sanction shall be imposed under paragraph (1) until appropriate notice thereof has been provided to the participant involved, and until conciliation efforts have been made to discuss and resolve the participant's failure to comply and to determine whether or not good cause for such failure existed. In any event, when a failure to comply has continued for 3 months the State agency shall promptly*

remind the participant in writing of his or her option to end the sanction by terminating such failure.

(3) If a volunteer drops out of the program under this section after having commenced participation in such program, he or she shall thereafter be given no priority under subsection (d).

(m) **REGULATIONS.**—Within 6 months after the date of the enactment of this section, the Secretary shall issue proposed regulations for the purpose of implementing and carrying out the program under this section, including regulations establishing uniform data collection requirements; and within 9 months after such date the Secretary shall publish final regulations for that purpose. Regulations under this subsection shall be developed by the Secretary in consultation with the responsible State agencies described in subsection (b)(3).

(n) **PERFORMANCE STANDARDS.**—(1) Within one year after the date of the enactment of this section, the Secretary, in consultation with the Congress, the Secretary of Labor, the States and localities, educators, and other interested persons, shall develop and publish performance standards for the program under this section. Such standards shall at a minimum—

(A) provide methods for measuring the degree to which States are targeting their programs to those individuals within each priority group (as described in subsection (d)) who will have the most difficulty finding employment;

(B) provide methods for determining whether States are providing intensive services under the program, tailored to the individual needs of participants and fully calculated to produce self-sufficiency;

(C) provide methods for measuring the degree to which States are placing strong emphasis on participation by volunteers among the priority groups described in subsection (d);

(D) measure the cost effectiveness of the employment portion of the program and the welfare savings that result from the program;

(E) establish expectations for placement rates, including the minimum rate at which participants within each priority group (as described in subsection (d)) are to be placed in jobs or complete their education or both;

(F) take into account the extent to which the program results in job retention by participants, case closures, educational improvements, and placement in jobs that provide health benefits;

(G) give appropriate recognition to the likelihood that unemployment and other economic factors will influence the success of the employment program; and

(H) take into account such other factors as are deemed important.

The performance standards so developed and published shall be periodically reviewed by the Secretary and modified (in consultation with the Congress) to the extent necessary to reflect the continuing implementation of the program.

(2) The Secretary shall develop and transmit to the Congress, for appropriate legislative action, a proposal for modifying the rate of the Federal payments to States under section 403(a)(4) so as to re-

flect the relative effectiveness of the various States in carrying out the program under this section and achieving its purpose.

(o) *CONTINUING EVALUATION.*—*The Secretary shall provide for the continuing evaluation of the programs established under this section by the several States, including their effectiveness in achieving the purpose of this section and their impact on other related programs. The Secretary shall also—*

(1) *provide for the conduct of research on ways to increase the effectiveness of such programs, including research on—*

(A) *the effectiveness of giving priority to volunteers,*

(B) *appropriate strategies for assisting two-parent families,*

(C) *the wage rates of individuals placed in jobs as a result of such programs,*

(D) *the approaches that are most effective in meeting the needs of specific groups and types of participants (such as teenage parents, older parents, and families including disabled persons), and*

(E) *the effect of targeting on families which include children below 6 years of age; and*

(2) *provide technical assistance to States, localities, schools, and employers who may participate in the programs and who request or require such assistance.*

(p) *UNIFORM REPORTING REQUIREMENTS.*—*The Secretary shall establish uniform reporting requirements under which each State will be required periodically to furnish such information and data as the Secretary may need to ensure that the purposes and provisions of this section are being effectively carried out, including at a minimum the average monthly number of families participating in the program under this section, the types of such families, the amounts expended under the program (as family support supplements and otherwise) with respect to such families, and the length of time for which such families are assisted. The information and data so furnished shall be separately stated with respect to each of the services and activities enumerated in subsection (h) and with respect to each of the activities described in subsections (i), (j), and (k).*

SPECIAL PROVISIONS FOR FAMILIES HEADED BY MINOR PARENTS

SEC. 417. (a)(1) *The State agency shall assign an individual case manager to each family, receiving family support supplements under the State's plan approved under section 402, which is headed by a minor parent. The case manager so assigned shall be responsible for assuring that the family receives and effectively uses all of the aid and services which are available to it under the plan and under related laws and programs, and for supervising and monitoring the provision and use of such aid and services. Each case manager assigned under this subsection shall maintain a caseload sufficiently small to assure the provision of intensive services to and close supervision of the families to which he or she is assigned.*

(2) *If the family is participating in the program under section 416, only one case manager shall be assigned to perform all case management functions for the family.*

(b)(1)(A) Each family headed by an unmarried minor parent shall be required to live with a parent, legal guardian, or other adult relative of such minor parent or in a foster home, maternity home, or other supportive living arrangement, except to the extent that the State agency determines that it is impossible or inappropriate to do so (as more particularly described in subparagraph (B)). The case manager assigned to the family may in any event require that payments of family support supplements with respect to the family be made when appropriate to a third party in the manner described in section 406(b)(2) (which in such a case shall be without regard to clauses (A) through (D) thereof); and if the minor parent is not living under adult supervision, and an appropriate relative or other representative payee cannot be found, the case manager may serve as representative payee.

(B) The State agency may determine that it is impossible or inappropriate for a minor parent to live with a parent or legal guardian if—

(i) the minor parent has no living parent or legal guardian whose whereabouts are known;

(ii) the health or safety of the minor parent or the child would be jeopardized if they lived with the parent or guardian, or the living conditions of the parent or guardian are overcrowded;

(iii) the parent or guardian refuses to allow the minor parent and child to live in his or her home; or

(iv) the minor parent has lived apart from the parent or guardian for at least a year prior to the birth of the child or prior to making application for supplements under the plan.

(2) In any case where the parent with whom the minor parent is living is also eligible for family support supplements (by reason of the presence in the household of one or more other children of such parent), the State must provide (notwithstanding paragraph (38)) that the minor parent and the minor parent's child or children constitute a family unit separate from that of the minor parent's parent and such other children.

(c) The State may at its option (1) require school attendance by the minor parent on a part-time basis as a condition of such parent's eligibility for aid under the State plan, or (2) require that the minor parent participate in training in parenting and family living skills, including nutrition and health education, as a condition of such eligibility (without regard to the age of the child or children); but in either case only if and to the extent that day care for the child or children is guaranteed (and is guaranteed within the applicable dollar limitations set forth in section 402(g) if the child or any of the children is below 3 years of age).

(d) Amounts expended by a State under this section in providing case management services with respect to families headed by minor parents shall be considered, for purposes of section 403(a)(3)(D), to be expenditures for the proper and efficient administration of the State plan.

(e) For purposes of this section, the term "minor parent" means a parent who has not yet attained the age of 18.

PART D—CHILD SUPPORT AND ESTABLISHMENT OF PATERNITY

* * * * *

DUTIES OF THE SECRETARY

SEC. 452. (a) The Secretary shall establish, within the Department of Health and Human Services a separate organizational unit, under the direction of a designee of the Secretary, who shall report directly to the Secretary and who shall—

(1) * * *

* * * * *

(10) not later than three months after the end of each fiscal year, beginning with the year 1977, submit to the Congress a full and complete report on all activities undertaken pursuant to the provisions of this part, which report shall include, but not be limited to, the following:

(A) * * *

* * * * *

(C) the following data, with the data required under each clause being separately stated for cases where the child is receiving [aid to families with dependent children] *aid in the form of family support supplements* (or foster care maintenance payments under part E), cases where the child was formerly receiving such aid or payments and the State is continuing to collect support assigned to it under section 402(a)(26) or 471(a)(17), and all other cases under this part:

(i) the total number of cases in which a support obligation has been established in the fiscal year for which the report is submitted, and the total amount of such obligations;

* * * * *

(g) The standards required by subsection (a)(1) shall establish limitations on the period of time (after the determination of a family's eligibility for aid under a State plan approved under section 402 or the filing of an application for services under this part) within which a State must (1) respond to requests for assistance in locating absent parents or establishing paternity, and (2) begin proceedings to establish or enforce child support awards.

* * * * *

STATE PLAN FOR CHILD AND SPOUSAL SUPPORT

SEC. 454. A State plan for child and spousal support must—

(1) * * *

* * * * *

(4) provide that such State will undertake—

(A) in the case of child born out of wedlock with respect to whom an assignment under section 402(a)(26) of this title is effective, to establish the paternity of such child, unless the agency administering the plan of the State under part A of this title determines in accordance with

the standards prescribed by the Secretary pursuant to section 402(a)(26)(B) that it is against the best interests of the child to do so, and

(B) in the case of any child with respect to whom such assignment is effective, including an assignment with respect to a child on whose behalf a State agency is making foster care maintenance payments under part E, to secure support for such child from his parent (or from any other person legally liable for such support), and from such parent for his spouse (or former spouse) receiving [aid to families with dependent children] *aid in the form of family support supplements* (but only if a support obligation has been established with respect to such spouse, and only if the support obligation established with respect to the child is being enforced under the plan), utilizing any reciprocal arrangements adopted with other States (unless the agency administering the plan of the State under part A on E of this title determines in accordance with the standards prescribed by the Secretary pursuant to section 402(a)(26)(B) that it is against the best interests of the child to do so), except that when such arrangements and other means have proven ineffective, the State may utilize the Federal courts to obtain or enforce court orders for support;

* * * * *

(16) provide, at the option of the State, for the establishment, in accordance with an (initial and annually updated) advance automatic data processing planning document approved under section 452(d), of an automatic data processing and information retrieval system designed effectively and efficiently to assist management in the administration of the State plan, in the State and localities thereof, so as (A) to control, account for, and monitor (i) all the factors in the support enforcement collection and paternity determination process under such plan (including, but not limited to. (I) identifiable correlation factors (such as social security numbers, names, dates of birth, home addresses and mailing addresses (including postal ZIP codes) of any individual with respect to whom support obligations are sought to be established or enforced and with respect to any person to whom such support obligations are owing) to assure sufficient compatibility among the systems of different jurisdictions to permit periodic screening to determine whether such individual is paying or is obligated to pay support in more than one jurisdiction, (II) checking of records of such individuals on a periodic basis with Federal, intra- and inter-State, and local agencies, (III) maintaining the data necessary to meet the Federal reporting requirements on a timely basis, and (IV) delinquency and enforcement activities), (ii) the collection and distribution of support payments (both intra- and inter-State), the determination, collection, and distribution of incentive payments both inter- and intra-State, and the maintenance of accounts receivable on all amounts owed, collected and distributed, and (iii) the costs of all services rendered, either directly or

by interfacing with State financial management and expenditure information, (B) to provide interface with records of the State's [aid to families with dependent children program] *Family Support Program* in order to determine if a collection of a support payment causes a change affecting eligibility for or the amount of aid under such program, (C) to provide for security against unauthorized access to, or use of, the data in such system, (D) to facilitate the development and improvement of the income withholding and other procedures required under section 466(a) through the monitoring of support payments, the maintenance of accurate records regarding the payment of support, and the prompt provision of notice to appropriate officials with respect to any arrearages in support payments which may occur, and (E) to provide management information on all cases under the State plan from initial referral or application through collection and enforcement;

* * * * *

(22) in order for the State to be eligible to receive any incentive payments under section 458, provide that, if one or more political subdivisions of the State participate in the costs of carrying out activities under the State plan during any period, each such subdivision shall be entitled to receive an appropriate share (as determined by the State) of any such incentive payments made to the State for such period, taking into account the efficiency and effectiveness of the activities carried out under the State plan by such political subdivision; [and]

(23) provide that the State will regularly and frequently publicize, through public service announcements, the availability of child support enforcement services under the plan and otherwise, including information as to any application fees for such services and a telephone number or postal address at which further information may be obtained[.];

(24) provide that the State will observe and comply with the time limits established under section 452(g); and

(25) provide that, if it does not already have in effect an automatic data processing and information retrieval system meeting all of the requirements of paragraph (16), the State—

(A) will submit to the Secretary by October 1, 1989 (for his review and approval no later than October 1, 1990) an advance automatic data processing planning document of the type referred to in that paragraph; and

(B) will have in effect by October 1, 1992, an operational automatic data processing and information retrieval system meeting all the requirements of that paragraph

* * * * *

PAYMENTS TO STATES

SEC. 455. (a)(1) From the sums appropriated therefor, the Secretary shall pay to each State for each quarter [an amount—

[(A) equal to the percent specified in paragraph (2) of the total amounts expended by such State during such quarter for the operation of the plan approved under section 454, and

[(B) equal to 90 percent (rather than the percent specified in subparagraph (A)) of so much of the sums expended during such quarter as are attributable to the planning, design, development, installation or enhancement of an automatic data processing and information retrieval system (including in such sums the full cost of the hardware components of such system) which the Secretary finds meets the requirements specified in section 454(16), or meets such requirements without regard to clause (D) thereof;

except that] *an amount equal to the percent specified in paragraph (2) of the total amounts expended by such State during such quarter for the operation of the plan approved under section 454; except that no amount shall be paid to any State on account of amounts expended to carry out an agreement which it has entered into pursuant to section 463. In determining the total amounts expended by any State during a quarter, for purposes of this subsection, there shall be excluded an amount equal to the total of any fees collected or other income resulting from services provided under the plan approved under this part.*

(2) [The] *(A) Except as provided in subparagraphs (B) and (C), the percent applicable to quarters in a fiscal year for purposes of paragraph (1)(A) is—*

[(A)] *(i) 70 percent for fiscal years 1984, 1985, 1986, and 1987,*

[(B)] *(ii) 68 percent for fiscal years 1988 and 1989, and*

[(C)] *(iii) 66 percent for fiscal year 1990 and each fiscal year thereafter.*

(B) In the case of a State that is not fully in compliance with the Child Support Enforcement Amendments of 1984, as determined by the Secretary, at any time after the expiration of 6 months after the date of the enactment of this subparagraph, the percent applicable to any quarter for purposes of paragraph (1) is 66 percent.

(C) In the case of any State that has in effect a law (whether enacted before, on, or after the date of the enactment of this subparagraph) under which—

(i) income withholding in accordance with section 466(b) is required in cases where an individual residing in the State owes child support under a court order issued or modified in the State on or after the date of the enactment of such law (or under an order of an administrative process established by a law of the State and issued or modified on or after that date), without the necessity of any application therefor or of any determination as to whether or not such individual is in arrears, and

(ii) an exemption from the requirement described in clause (i) is permitted in any case where (I) one of the parties demonstrates, and the court (or administrative process) finds, that there is good cause not to require immediate income withholding, or (II) a written agreement is reached between both parties which provides for an alternative arrangement,

the percent applicable to any quarter for purposes of paragraph (1) for any fiscal year (unless subparagraph (B) of this paragraph applies) is 70 percent.

* * * * *

DISTRIBUTION OF PROCEEDS

SEC. 457. (a) * * *

(b) The amounts collected as support by a State pursuant to a plan approved under this part during any fiscal year beginning after September 30, 1976, shall (subject to subsection (d)) be distributed as follows:

(1) the first \$50 of such amounts as are collected periodically which represent monthly support payments *(or such larger portion of the amounts so collected as the State may have established, for purposes of section 402(a)(8)(A)(iv), under section 402(h)(1)), including a payment received in one month which was due for a prior month if it was timely made when due by the absent parent*, shall be paid to the family without affecting its eligibility for assistance or decreasing any amount otherwise payable as assistance to such family during such month;

* * * * *

(d) Notwithstanding the preceding provisions of this section, amounts collected by a State as child support for months in any period on behalf of a child for whom a public agency is making foster care maintenance payments under part E—

(1) * * *

* * * * *

(3) shall be retained by the State, if any portion of the amounts collected remains after making the payments required under paragraphs (1) and (2), to the extent that such portion is necessary to reimburse the State (with appropriate reimbursement to the Federal Government to the extent of its participation in the financing) for any past foster care maintenance payments (or payments of *[aid to families with dependent children] aid in the form of family support supplements*) which were made with respect to the child (and with respect to which past collections have not previously been retained);

* * * * *

INCENTIVE PAYMENTS TO STATES

SEC. 458. (a) * * *

(b)(1) Except as provided in paragraph (2), (3), and (4), the incentive payment shall be equal to—

(A) 6 percent of the total amount of support collected under the plan during the fiscal year in cases in which the support obligation involved is assigned to the State pursuant to section 402(a)(26) or section 471(a)(17) (with such total amount for any fiscal year being hereafter referred to in this section as the State's "**[AFDC] FSP** collections" for the year), plus

(B) 6 percent of the total amount of support collected during the fiscal year in all other cases under this part (with such

total amount for any fiscal year being hereafter referred to in this section as the State's "[non-AFDC] *non-FSP* collections" for that year).

(2) If subsection (c) applies with respect to a State's [AFDC] *FSP* collections or [non-AFDC] *non-FSP* collections for any fiscal year, the percent specified in paragraph (1)(A) or (B) (with respect to such collections) shall be increased to the higher percent determined under such subsection (with respect to such collections) in determining the State's incentive payment under this subsection for that year.

(3) The dollar amount of the portion of the State's incentive payment for any fiscal year which is determined on the basis of its [non-AFDC] *non-FSP* collections under paragraph (1)(B) (after adjustment under subsection (c) if applicable) shall in no case exceed—

(A) the dollar amount of the portion of such payment which is determined on the basis of its [AFDC] *FSP* collections under paragraph (1)(A) (after adjustment under subsection (c) if applicable) in the case of fiscal year 1986 or 1987;

(B) 105 percent of such dollar amount in the case of fiscal year 1988;

(C) 110 percent of such dollar amount in the case of fiscal year 1989; or

(D) 115 percent of such dollar amount in the case of fiscal year 1990 or any fiscal year thereafter.

(4) The Secretary shall make such additional payments to the State under this part, for fiscal year 1986 or 1987, as may be necessary to assure that the total amount of payments under this section and section 455(a)(1)(A) for such fiscal year is no less than 80 percent of the amount that would have been payable to that State and its political subdivisions for such fiscal year under this section and section 455(a)(1)(A) if those sections (including the amendment made by section 5(c)(2)(A) of the Child Support Enforcement Amendments of 1984) had remained in effect as they were in effect for fiscal year 1985.

[(c)](1) If the total amount of a State's [AFDC] *FSP* collections or [non-AFDC] *non-FSP* collections for any fiscal year bears a ratio to the total amount expended by the State in that year for the operations of its plan approved under section 454 for which payment may be made under section 455 (with the total amount so expended in any fiscal year being hereafter referred to in this section as the State's "combined [AFDC/non-AFDC] *FSP/non-FSP* administrative costs" for the year) which is equal to or greater than 1.4, the relevant percent specified in subparagraph (A) or (B) of subsection (b)(1) (with respect to such collections) shall be increased to—

[(1)](A) 6.5 percent, plus

[(2)](B) one-half of 1 percent for each full two-tenths by which such ratio exceeds 1.4;

except that the percent so specified shall in no event be increased (for either [AFDC] *FSP* collections or [non-AFDC] *non-FSP* collections) to more than 10 percent. For purposes of the preceding sentence, laboratory costs incurred in determining paternity in any fiscal year may at the option of the State be excluded from the

State's combined **【AFDC/non-AFDC】** *FSP/non-FSP* administrative cost for that year.

(2) *In determining the State's combined FSP/non-FSP administrative costs for any fiscal year under this section, the State shall be deemed to be collecting support in the amount of \$100 a month, for a period of up to 12 months, in every case in which paternity has been established but actual collections have not commenced or the amount being actually collected is less than \$100 a month.*

(d) *In computing incentive payments under this section, support which is collected by one State at the request of another State shall be treated as having been collected in full by each such State, and any amounts expended by the State in carrying out a special project assisted under section 455(e) shall be excluded.*

* * * * *

REQUIREMENT OF STATUTORILY PRESCRIBED PROCEDURES TO IMPROVE EFFECTIVENESS OF CHILD SUPPORT ENFORCEMENT

SEC. 466. (a) In order to satisfy section 454(20)(A), each State must have in effect laws requiring the use of the following procedures, consistent with this section and with regulations of the Secretary, to increase the effectiveness of the program which the State administers under this part:

(1) * * *

* * * * *

(5)(A) Procedures which permit the establishment of the paternity of any child at any time prior to such child's eighteenth birthday.

(B) *Procedures under which the State is required (except in cases where the individual involved has been found under section 402(a)(26)(B) to have good cause for refusing to cooperate)—*

(i) *to establish the paternity of every child within the State who is a member of a family receiving aid under the State plan approved under section 402(a), as soon as possible after such child's birth but in any event prior to such child's eighteenth birthday;*

(ii) *to require the child and all other parties, in a contested paternity case, to submit to genetic tests upon the request of any such party; and*

(iii) *to use a 95-percent probability index from blood tests as a rebuttable presumption of paternity.*

* * * * *

(10) *Procedures (including expedited procedures of the type described in paragraph (2)) requiring—*

(A) *the uniform application of the guidelines established under section 467, and*

(B) *the updating of child support orders at least once every two years on the basis of the reapplication of the State's child support guidelines to the current circumstances of the parties in accordance with the due process requirements of the State, including at a minimum the provision to both parties of all information necessary to determine a new award level under the guidelines and notice*

and opportunity for a hearing if desired by either party (but nothing in this paragraph or in such procedures shall require the lowering of any support award fixed by contract between the parties).

* * * * *

STATE GUIDELINES FOR CHILD SUPPORT AWARDS

SEC. 467. (a) Each State, as a condition for having its State plan approved under this part, must establish [guidelines for child support award amounts within the State. The guidelines may be established by law or by judicial or administrative action.] *guidelines for child support award amounts within the State, along with procedures for the periodic review and updating of all child support orders in accordance with the procedures described in section 466(a)(10). The guidelines may be established by law or by judicial or administrative action, and must be reviewed and updated if necessary at least once every three years.*

(b)(1) The guidelines established pursuant to subsection (a) shall be made available to all judges and other officials who have the power to determine child support awards within such State[, but need not be binding upon such judges or other officials].

(2) *There shall be a rebuttable presumption, in any judicial or administrative proceeding for the award of child support, that the amount of the award which would result from the application of such guidelines is the correct amount of child support to be awarded. A written finding or specific finding on the record that the application of the guidelines would be unjust or inappropriate in a particular case shall be sufficient to rebut the presumption in that case.*

* * * * *

STATE PLAN FOR FOSTER CARE AND ADOPTION ASSISTANCE

SEC. 471. (a) In order for a State to be eligible for payments under this part, it shall have a plan approved by the Secretary which—

(1) * * *

* * * * *

(8) provides safeguards which restrict the use of or disclosure of information concerning individuals assisted under the State plan to purposes directly connected with (A) the administration of the plan of the State approved under this part, the plan or program of the State under part [A, B, C, or D] A, B, or D of this title or under title I, V, X, XIV, XVI (as in effect in Puerto Rico, Guam, and the Virgin Islands), XIX, or XX, or the supplemental security income program established by title XVI, (B) any investigation, prosecution, or criminal or civil proceeding,, conducted in connection with the administration of any such plan or program, (C) the administration of any other Federal or federally assisted program which provides assistance, in cash or in kind, or services, directly to individuals on the basis of need, and (D) any audit or similar activity conducted in connection with the administration of any such plan

or program by any governmental agency which is authorized by law to conduct such audit or activity; and the safeguards so provided shall prohibit disclosure, to any committee or legislative body (other than an agency referred to in clause (D) with respect to an activity referred to in such clause), of any information which identifies by name or address any such applicant or recipient; except that nothing contained herein shall preclude a State from providing standards which restrict disclosures to purposes more limited than those specified herein, or which, in the case of adoptions, prevent disclosure entirely;

* * * * *

FOSTER CARE MAINTENANCE PAYMENTS PROGRAM

SEC. 472. (a) * * *

* * * * *

(h) For purposes of titles XIX and XX, any child with respect to whom foster care maintenance payments are made under this section shall be deemed to be a dependent child as defined in section 406 and shall be deemed to be a recipient of [aid to families with dependent children] *aid in the form of family support supplements* under part A of this title.

ADOPTION ASSISTANCE PROGRAM

SEC. 473. (a)(1)(A) * * *

(b) For purposes of titles XIX and XX, any child—

(1)(A) who is a child described in subsection (a)(2), and

(B) with respect to whom an adoption assistance agreement is in effect under this section (whether or not adoption assistance payments are provided under the agreement or are being made under this section), including any such child who has been placed for adoption in accordance with applicable State and local law (whether or not an interlocutory or other judicial decree of adoption has been issued), or

(2) with respect to whom foster care maintenance payments are being made under section 472, shall be deemed to be a dependent child as defined in section 406 and shall be deemed to be a recipient of [aid to families with dependent children] *aid in the form of family support supplements* under part A of this title in the State where such child resides.

* * * * *

TITLE XI—GENERAL PROVISIONS AND PEER REVIEW

* * * * *

PART A—GENERAL PROVISIONS

DEFINITIONS

SEC. 1101. (a) When used in this Act—

(1) The term “State”, except where otherwise provided, includes the District of Columbia and the Commonwealth of Puerto Rico, and when used in titles IV, V, VII, XI, and XIX

includes the Virgin Islands and Guam. *Such term when used in part A of title IV also includes American Samoa.* Such term when used in titles III, IX, and XII also includes the Virgin Islands. Such term when used in title V and in part B of this title also includes American Samoa, the Northern Mariana Islands, and the Trust Territory of the Pacific Islands. Such term when used in title XIX also includes the Northern Mariana Islands and American Samoa. In the case of Puerto Rico, the Virgin Islands, and Guam, titles I, X, and XIV, and title XVI (as in effect without regard to the amendment made by section 301 of the Social Security Amendments of 1972) shall continue to apply, and the term "State" when used in such titles (but not in title XVI as in effect pursuant to such amendment after December 31, 1973) includes Puerto Rico, the Virgin Islands, and Guam. Such term when used in title XX also includes the Virgin Islands, Guam, and the Northern Mariana Islands.

* * * * *

LIMITATION ON PAYMENTS TO PUERTO RICO, THE VIRGIN ISLANDS, AND GUAM

SEC. 1108. (a) The total amount certified by the Secretary of Health and Human Services under titles I, X, XIV, and XVI, and under parts A and E of title IV (exclusive of any amounts on account of services and items to which subsection (b) applies)—

(1) for payment to Puerto Rico shall not exceed—

- (A) \$12,500,000 with respect to the fiscal year 1968,
- (B) \$15,000,000 with respect to the fiscal year 1969,
- (C) \$18,000,000 with respect to the fiscal year 1970,
- (D) \$21,000,000 with respect to the fiscal year 1971,
- (E) \$24,000,000 with respect to each of the fiscal years 1972 through 1978, [or]

[(F) \$72,000,000 with respect to the fiscal year 1979 and each fiscal year thereafter;]

(F) \$72,000,000 with respect to each of the fiscal years 1979 through 1987, or

(G) \$81,270,000 with respect to the fiscal year 1988 and each fiscal year thereafter;

(2) for payment to the Virgin Islands shall not exceed—

- (A) \$425,000 with respect to the fiscal year 1968,
- (B) \$500,000 with respect to the fiscal year 1969,
- (C) \$600,000 with respect to the fiscal year 1970,
- (D) \$700,000 with respect to the fiscal year 1971,
- (E) \$800,000 with respect to each of the fiscal years 1972 through 1978, [or]

[(F) \$2,400,000 with respect to the fiscal year 1979 and each fiscal year thereafter;]

(F) \$2,400,000 with respect to each of the fiscal years 1979 through 1987, or

(G) \$2,709,000 with respect to the fiscal year 1988 and each fiscal year thereafter;,

(3) for payment to Guam shall not exceed—

- (A) \$575,000 with respect to the fiscal year 1968,
- (B) \$690,000 with respect to the fiscal year 1971,
- (C) \$825,000 with respect to the fiscal year 1970,

(D) \$960,000 with respect to the fiscal year 1971,
 (E) \$1,100,000 with respect to each of the fiscal years
 1972 through 1978, [or]

[(F) \$3,000,000 with respect to the fiscal year 1979 and
 each fiscal year thereafter.]

(F) \$3,000,000 with respect to each of the fiscal years 1979
 through 1987, or

(G) \$3,725,000 with respect to the fiscal year 1988 and
 each fiscal year thereafter;

(4) for payment to American Samoa shall not exceed \$1,000,000
 with respect to any fiscal year.

Each jurisdiction specified in this subsection may use in its pro-
 gram under title XX any sums available to it under this subsection
 which are not needed to carry out the programs specified in this
 subsection.

(b) The total amount certified by the Secretary under part A of
 title IV, on account of family planning services and services pro-
 vided under section [402(a)(19)] 416 with respect to any fiscal
 year—

(1) for payment to Puerto Rico shall not exceed \$2,000,000,

(2) for payment to the Virgin Islands shall not exceed
 \$65,000, and

(3) for payment to Guam shall not exceed \$90,000.

* * * * *

DEMONSTRATION PROJECTS

SEC. 1115. (a)(1) In the case of any experimental, pilot, or demon-
 stration project which, in the judgment of the Secretary, is likely to
 assist in promoting the objectives of title I, X, XIV, XVI, or XIX, or
 part A or D of title IV, in a State or States—

[(1) the Secretary] (A) *the Secretary* may waive compliance
 with any of the requirements of section 2, 402, 454, 1002, 1402,
 1602, or 1902, as the case may be, to the extent and for the
 period he finds necessary to enable such State or States to
 carry out such project, and

[(2) costs] (B) *costs* of such project which would not other-
 wise be included as expenditures under section 3, 403, 455,
 1003, 1403, 1603, or 1903, as the case may be, and which are
 not included as part of the costs of projects under section 1110,
 shall, to the extent and for the period prescribed by the Secre-
 tary, be regarded as expenditures under the State plan or
 plans approved under such title, or for administration of such
 State plan or plans, as may be appropriate.

In addition, not to exceed \$4,000,000 of the aggregate amount ap-
 propriated for payments to States under such titles for any fiscal
 year beginning after June 30, 1967, shall be available, under such
 terms and conditions as the Secretary may establish, for payments
 to States to cover so much of the cost of such projects as is not cov-
 ered by payments under such titles and is not included as part of
 the cost of projects for purposes of section 1110.

[(c)] (2) In the case of any experimental, pilot, or demonstration
 project undertaken under [subsection (a)] *paragraph (1)* to assist
 in promoting the objectives of part D of title IV, the project—

[(1)] (A) must be designed to improve the financial well-being of children or otherwise improve the operation of the child support program;

[(2)] (B) may not permit modifications in the child support program which would have the effect of disadvantaging children in need of support; and

[(3)] (C) must not result in increased cost to the Federal Government under the program of aid to families with dependent children.

[(b)(1)] In order to permit the States to achieve more efficient and effective use of funds for public assistance, to reduce dependency, and to improve the living conditions and increase the incomes of individuals who are recipients of public assistance, any State having an approved plan under part A of title IV may, subject to the provisions of this subsection, establish and conduct not more than three demonstration projects. In establishing and conducting any such project the State shall—

[(A)] provide that not more than one such project be conducted on a statewide basis;

[(B)] provide that in making arrangements for public service employment—

[(i)] appropriate standards for the health, safety, and other conditions applicable to the performance of work and training on such project are established and will be maintained,

[(ii)] such project will not result in the displacement of employed workers,

[(iii)] each participant in such project shall be compensated for work performed by him at an hourly rate equal to the prevailing hourly wage for similar work in the locality where the participant performs such work (and, for purposes of this clause, benefits payable under the State's plan approved under part A of title IV of the family of which such participant is a member shall be regarded as compensation for work performed by such participant),

[(iv)] with respect to such project the conditions of work, training, education, an employment are reasonable in the light of such factors as the type of work, geographical region, and proficiency of the participant, and

[(v)] appropriate workmen's compensation protection is provided to all participants; and

[(C)] provide that participation in such project by any individual receiving aid to families with dependent children be voluntary.

[(2)] Any State which establishes and conducts demonstration projects under this subsection may, subject to paragraph (3), with respect to any such project—

[(A)] waive, subject to paragraph (3), any or all of the requirements of sections 402(a)(1) (relating to statewide operation), 402(a)(3) (relating to administration by a single State agency), 402(a)(8) (relating to disregard of earned income), except that no such waiver of 402(a)(8) shall operate to waive any amount in excess of one-half of the earned income of any

individual, and 402(a)(19) (relating to the work incentive program);

[(B) subject to paragraph (4), use to cover the costs of the project such funds as are appropriated for payment to such State with respect to the assistance which is or would, except for participation in a project under this subsection, be payable to individuals participating in such projects under part A of title IV for any fiscal year in which such projects are conducted; and

[(C) use such funds as are appropriated for payments to States under the State and Local Fiscal Assistance Act of 1972 for any fiscal year in which the project is conducted to cover so much of the costs of salaries for individuals participating in public service employment as is not covered through the use of funds made available under subparagraph (B).

[(3)(A) Any State which wishes to establish and conduct demonstration projects under the provisions of this subsection shall submit an application to the Secretary in such form and containing such information as the Secretary may require. Whenever any State submits such an application to the Secretary, it shall at the same time issue public notice of that fact together with a general description of the project with respect to which the application is submitted, and shall invite comment thereon from interested parties and comments thereon may be submitted, within the 30-day period beginning with the date the application is submitted to the Secretary, to the State or the Secretary by such parties. The State shall also make copies of the application available for public inspection. The Secretary shall also immediately publish a summary of the proposed project, make copies of the application available for public inspection, and receive and consider comments submitted with respect to the application. A State shall be authorized to proceed with a project submitted under this subsection—

[(i) when such application has been approved by the Secretary (which shall be no earlier than 30 days following the date the application is submitted to him), or

[(ii) 60 days after the date on which such application is submitted to the Secretary unless, during such 60 day period, he denies the application.

[(B) Notwithstanding the provisions of paragraph (2)(A), the Secretary may review any waiver made by a State under such paragraph. Upon a finding that any such waiver is inconsistent with the purposes of this subsection and the purposes of part A of title IV, the Secretary may disapprove such waiver. The project with respect to which any such disapproved waiver was made shall be terminated by such State not later than the last day of the month following the month in which such waiver was disapproved.

[(4) Any amount payable to a State under section 403(a) on behalf of an individual participating in a project under this section shall not be increased by reason of the participation of such individual in any demonstration project conducted under this subsection over the amount which would be payable if such individual were receiving aid to families with dependent children and not participating in such project.

[(5) Participation in a project established under this section shall not be considered to constitute employment for purposes of any finding with respect to "unemployment" as that term is used in section 407.

[(6) Any demonstration project established and conducted pursuant to the provisions of this subsection shall be conducted for not longer than two years. All demonstration projects established and conducted pursuant to the provisions of this subsection shall be terminated not later than September 30, 1980.]

(b)(1) In order to encourage States to develop innovative education and training programs for children receiving aid under State plans approved under section 402, any State may establish and conduct one or more demonstration projects, targeted to such children, designed to test financial incentives and interdisciplinary approaches to reducing school dropouts, encouraging skill development, and avoiding welfare dependence; and the Secretary may make grants to States to assist in financing such projects. Demonstration projects under this paragraph shall meet such conditions and requirements as the Secretary shall prescribe, and no such project shall be conducted for a period of less than one year or more than 5 years.

(2)(A) In order to test the effect of in-home early childhood development programs and pre-school center-based development programs (emphasizing the use of volunteers and including academic credit for student volunteers) on families receiving aid under State plans approved under section 402 and participating in the education, training, and work program under section 416, up to 10 States may undertake and carry out demonstration projects utilizing such development programs to enhance the cognitive skills and linguistic ability of children under the age of 5, to improve the communications skills of such children, and to develop their ability to read, write, and speak the English language effectively. Demonstration projects under this paragraph shall meet such conditions and requirements as the Secretary shall prescribe, and no such project shall be conducted for a period of more than 3 years.

(B) The Secretary shall consider all applications received from States desiring to conduct demonstration projects under this paragraph, shall approve up to 10 applications involving projects which appear likely to contribute significantly to the achievement of the purpose of this paragraph, and shall make grants to the States whose applications are approved to assist them in carrying out such projects.

(C) The Secretary shall submit to the Congress with respect to each project undertaken by a State under this paragraph, after such project has been carried out for one year and again when such project is completed, a detailed evaluation of the project and of its contribution to the achievement of the purpose of this paragraph.

(3)(A) In order to permit States to test whether (and the extent to which) eliminating the 100-hour rule under section 407, and requiring parents under that section to accept any reasonable job offers while preserving the eligibility of their families for aid under the applicable State plan approved under section 402, would effectively encourage such parents to enter the permanent work force and thereby significantly reduce program costs, up to 5 States and localities may undertake and carry out demonstration projects under which—

(i) each parent receiving aid pursuant to section 407 is required to accept any reasonable full- or part-time job which is offered to him or her, without regard to the amount of the parent's resulting earnings as compared to the level of the family's aid under the applicable State plan, and

(ii) the family's eligibility under the plan is preserved notwithstanding the parent's resulting earnings, so long as such earnings (after the application of section 402(a)(8)) do not exceed the applicable State standard of need, without regard to the 100-hour rule or any other durational standard that might be applied in defining unemployment for purposes of determining such eligibility.

(B) The Secretary shall consider all applications received from States desiring to conduct demonstration projects under this paragraph, shall approve up to 5 applications involving projects which appear likely to contribute significantly to the achievement of the purpose of this paragraph, and shall make grants to the States whose applications are approved to assist them in carrying out such projects.

(C) Each demonstration project approved under this paragraph shall provide for the payment of aid under the applicable State plan, as though section 407 had been modified to reflect the provisions of clauses (i) and (ii) of subparagraph (A) but shall otherwise be carried out in accordance with all of the requirements and conditions of section 407 (and any related requirements and conditions under part A of title IV); and each such project shall meet such other requirements and conditions as the Secretary shall prescribe.

(4)(A) In order to encourage States to employ or arrange for the employment of parents (of dependent children receiving aid under State plans approved under section 402(a)) as providers of day care for other children receiving such aid, including any training which may be necessary to prepare the parents for such employment, up to 5 States may undertake and carry out demonstration projects designed to test whether such employment will effectively facilitate the conduct of the education, training, and work program under section 416 by making additional day care services available to meet the requirements of section 402(g)(1) while affording significant numbers of families receiving such aid a realistic opportunity to avoid welfare dependence.

(B) The Secretary shall consider all applications received from States desiring to conduct demonstration projects under this paragraph, shall approve up to 5 applications involving projects which appear likely to contribute significantly to the achievement of the purpose of this paragraph, and shall make grants to those States whose applications are approved to assist them in carrying out such projects. Each project under this paragraph shall meet such conditions and requirements as the Secretary shall prescribe.

(5)(A) In order to test the effect of increasing the maximum excludable value of automobiles under State plans approved under section 402, up to 5 States may undertake and carry out demonstration projects under which the resources of any individual are determined as though the amount prescribed by the Secretary under section 402(a)(7)(B) with respect to such individual's excludable ownership interest in an automobile were the same as the amount that

would be excluded or disregarded in similar circumstances under the Food Stamp Act of 1977 (and such section 402(a)(7)(B) shall be deemed to have been modified accordingly for purposes of any such project). Demonstration projects under this paragraph shall meet such conditions and requirements as the Secretary shall prescribe, and no such project shall be conducted for a period of more than 5 years.

(B) The Secretary shall consider all applications received from States desiring to conduct demonstration projects under this paragraph, shall approve up to 5 applications involving projects which appear likely to contribute significantly to the achievement of the purpose of this paragraph, and shall make grants to the States whose applications are approved to assist them in carrying out such projects. Both urban and rural States must be included among the States whose applications are approved.

(6)(A) In order to encourage States to identify the problems arising in connection with visitation by absent parents and to address problems involving child custody, to determine the magnitude of such problems, and to test possible solutions thereto (including but not limited to the creation of special staffs of mediators to deal with disputes involving court-ordered child access privileges or custody), any State may establish and conduct one or more demonstration projects in accordance with such terms, conditions, and requirements as the Secretary shall prescribe (except that no such project may include the withholding of child support payments pending visitation). No such project shall be conducted for a period of more than 3 years.

(B) The Secretary may make grants to any State, in amounts not exceeding \$5,000,000 per year, to assist in financing the project or projects established by such State under this paragraph.

(7) In order to permit States to test methods of improving child support enforcement in cases where the noncustodial parent is financially unable to meet his support obligations, any State may undertake and carry out a demonstration project under which absent parents who owe child support, but whose income is insufficient to pay such support, are encouraged by all possible means to participate in the State's education, training, and work program established under section 416, in an appropriate State program under the Job Training Partnership Act, or in a similar program. Demonstration projects under this paragraph shall be established and carried out in accordance with such conditions and requirements as the Secretary shall prescribe; and the Secretary shall make grants to the States conducting such projects to assist in their financing.

(8)(A) Any demonstration project undertaken pursuant to this subsection—

(i) must be designed to improve the financial well-being of families with children or otherwise improve the operation of the program or programs involved; and

(ii) may not permit modifications in any program which would have the effect of disadvantaging children in need.

(B) There are authorized to be appropriated such sums as may be necessary to enable the Secretary to make grants with respect to the demonstration projects which are provided for under any of the preceding paragraphs of this subsection (and for which an authoriza-

tion in specific dollar amounts is not included in the paragraph involved).

(c)(1) In order to ensure that States which incur particularly high costs in providing emergency assistance for temporary housing to homeless FSP families may have an adequate opportunity to test whether such costs could be effectively reduced by the construction or rehabilitation (with the assistance of Federal grants) of permanent housing that such families can afford with their regular family support supplements, there is hereby established a demonstration program under which the Secretary shall make grants to those States, selected in accordance with paragraph (2), which conduct demonstration projects in accordance with this subsection.

(2)(A) Any State which desires to participate in the demonstration program established by paragraph (1) may submit an application therefor to the Secretary.

(B) To be eligible for selection to conduct a demonstration project under such program, a State—

(i) must be currently providing emergency assistance (as defined in paragraph (6)(A)) in the form of housing, including transitional housing;

(ii) must have a particularly acute need for assistance in dealing with the problems of homeless FSP families by virtue of the large number of such families, and the existence of shortages in the supply of low-income housing, in the political subdivision or subdivisions where such project would be conducted; and

(iii) must submit a plan to achieve significant cost savings over a 10-year period through the conduct of such project with assistance under this subsection.

(C) The Secretary shall select up to 3 States, from among those which submit applications under subparagraph (A) and are determined to be eligible under subparagraph (B), to conduct demonstration projects in accordance with this subsection. In the event that more than 3 States are determined to be eligible, the 3 States selected shall be those whose cost savings (as described in clause (iii) of subparagraph (B)) will be the greatest.

(D) Grants for each demonstration project under this subsection shall be awarded within 6 months after the date of the appropriation of funds (pursuant to paragraph (8)) for the purposes prescribed in this subsection.

(3) For each year during which a State is conducting a demonstration project under this subsection, the Secretary shall make a grant to such State, in an amount determined under paragraph (8)(B)), for the construction or rehabilitation of permanent housing to serve individuals and families who would otherwise require emergency assistance in the form of temporary housing.

(4) A grant may be made to a State under paragraph (2) only if such State (along with or as a part of its application) furnishes the Secretary with satisfactory assurances that—

(A) the proceeds of the grant will be used exclusively for the construction or rehabilitation of permanent housing to be owned by the State, a political subdivision of the State, an agency or instrumentality of the State or of a political subdivision of the State, or a nonprofit organization;

(B) all units assisted with funds from the proceeds of the grant will be used exclusively for rental to families which—

(i) are eligible, at the time of the rental, for aid under the State's plan approved under section 402 (and a family with one or more members who meet this requirement shall not be deemed ineligible because one or more other members receive benefits under title XVI),

(ii) have been unable to obtain decent housing at rents that can be paid with the portion of such aid allocated for shelter, and

(iii) if such housing were not available to them, would be compelled to live in a shelter for the homeless or in a hotel or motel, or other temporary accommodations, paid for with emergency assistance, or would be homeless;

(C) the local jurisdiction in which such housing will be located is experiencing a critical shortage of housing units that are available to families eligible for aid under the State plan at rents that can be paid with the portion of such aid allocated for shelter; and

(D) whenever units assisted with grants under the project become available for occupancy, the State will discontinue the use of an equivalent number of units of the most costly accommodations it has been using as temporary housing paid for with emergency assistance, except to the extent that such accommodations are demonstrably needed—

(i) in addition to the units so assisted, to take account of increases in the caseload under the emergency assistance program, or

(ii) because, due to the condition or location of such accommodations, or other factors, discontinuing the use of such units would not be in the best interests of needy families, provided that the State discontinues the use of an equivalent number of other units it has been using as temporary housing paid for with emergency assistance;

and only if the State, along with or as a part of its application, includes such documentary and other materials as may be necessary to establish its eligibility under paragraph (2)(B) and such provisions as may be necessary to carry out the requirements of subparagraph (D) of this paragraph.

(5)(A) The average cost to the Federal Government per unit of housing constructed or rehabilitated with a grant under a project under this subsection shall be an amount no greater than the calculated yearly payment of emergency assistance that would be required to provide housing for a family in a shelter for the homeless, a hotel or motel, or other temporary quarters for one year, in the jurisdiction or jurisdictions where the project is located.

(B) The total of Federal payments to a State under part A of title IV over the 10-year period beginning at the time construction or rehabilitation commences under the State's project under this subsection, with respect to the families who will live in housing assisted by a grant under such project (the 'total grant cost' as more particularly defined in paragraph (6)(C)), must be lower as a result of the construction or rehabilitation of permanent housing with the grant than it would be if the State made emergency assistance payments

with respect to the families involved at the level of the standard yearly payment (as defined in paragraph (6)(B)) during such 10-year period.

(C) Any grant to a State under paragraph (1) shall be made only on condition (i) that such State pay a percentage of the total cost of the construction or rehabilitation of the housing involved equal at least to the percentage of the current non-Federal share of family support supplements under the State's plan approved under section 402 (as determined under section 403(a) or 1118), increased by 10 percentage points, and (ii) that such State not require any of its political subdivisions to pay a higher percentage of the total costs of the construction or rehabilitation of such housing than it would pay with respect to family support supplements pursuant to such State plan.

(6) For purposes of this subsection—

(A) the term "emergency assistance" means emergency assistance to needy families with children as described in section 403(e), and regular payments for the costs of temporary housing authorized as a special needs item under the State plan;

(B) the term "standard yearly payment", with respect to emergency assistance used to provide housing for a family in a shelter for the homeless, a hotel or motel, or other temporary quarters during any year in any jurisdiction, means an amount equal to the total amount of such assistance which was needed to provide all housing in temporary accommodations in that jurisdiction (with emergency assistance), in the most recently completed calendar year, at the 75th percentile in the range of all payments of emergency assistance for temporary accommodations, based on the State's actual experience with emergency assistance in such jurisdiction; and

(C) the term "total grant cost", with respect to housing constructed or rehabilitated under a demonstration project under this subsection, means the sum of (i) the Federal share of payments attributable to such housing during the 10-year period beginning on the date on which its construction or rehabilitation begins (including the grant provided under this subsection), (ii) the Federal share of payments of emergency assistance for temporary housing to the families involved during such construction or rehabilitation (at a level equal to the standard yearly payment), and (iii) the Federal share of regular payments of aid under the State plan to such families during the remainder of such 10-year period.

(7) Whenever a grant is made to a State under this subsection, the assurances required of the State under subparagraphs (A) through (D) of paragraph (4) and any other requirements imposed by the Secretary as a condition of such grant shall be considered, for purposes of section 404, as requirements imposed by or in the administration of the State's plan approved under section 402.

(8)(A) There is authorized to be appropriated for grants under this subsection the sum of \$15,000,000 for each of the first 5 fiscal years beginning on or after October 1, 1987.

(B)(i) The amount appropriated for any fiscal year pursuant to subparagraph (A) shall be divided among the States conducting demonstration projects under this subsection according to their re-

spective need for assistance of the type involved and their respective numbers of homeless FSP families, as determined by the Secretary.

(ii) If any State to which a grant is made under this subparagraph finds that it does not require the full amount of such grant to conduct its demonstration project under this subsection in the fiscal year involved, the unused portion of such grant shall be reallocated to the other States conducting such projects in amounts based on their respective need for assistance of the type involved, as determined by the Secretary.

(iii) Amounts appropriated pursuant to subparagraph (A), and grants made from such amounts, shall remain available until expended.

(9) The Secretary shall prescribe and publish regulations to implement the provisions of this subsection no later than 6 months after the date of its enactment.

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ALTERNATIVE FEDERAL PAYMENT WITH RESPECT TO PUBLIC ASSISTANCE EXPENDITURES

SEC. 1118. In the case of any State which has in effect a plan approved under title XIX for any calendar quarter, the total of the payments to which such State is entitled for such quarter, and for each succeeding quarter in the same fiscal year (which for purposes of this section means the 4 calendar quarters ending with September 30), under paragraphs (1) and (2) of sections 3(a), 403(a), 1003(a), 1403(a), and 1603(a) shall, at the option of the State, be determined (subject to section 403(k)) by application of the Federal medical assistance percentage (as defined in section 1905), instead of the percentages provided under each such section, to the expenditures under its State plans approved under titles I, X, XIV, and XVI, and part A of title IV, which would be included in determining the amounts of the Federal payments to which such State is entitled under such sections, but without regard to any maximum on the dollar amounts per recipient which may be counted under such sections. For purposes of the preceding sentence, the term "Federal medical assistance percentage" shall, in the case of Puerto Rico, the Virgin Islands, and Guam, mean 75 per centum.

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TITLE XIX—GRANTS TO STATES FOR MEDICAL ASSISTANCE PROGRAMS

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STATE PLANS FOR MEDICAL ASSISTANCE

SEC. 1902. (a) A State plan for medical assistance must—

(1) * * *

* * * * *

(10) provide—

(A) for making medical assistance available, including at least the care and services listed in paragraphs (1) through (5) and (17) of section 1905(a), to—

(i) all individuals—

(I) who are receiving aid or assistance under any plan of State approved under title I, X, XIV, or XVI, or part A or part E of title IV (including individuals eligible under this title by reason of section 402(a)(37), 406(h), or 473(b), or considered by the State to be receiving such aid as authorized under [section 414(g)],] *section 416(i)(6)*,

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TITLE XX—BLOCK GRANTS TO STATES FOR SOCIAL SERVICES

* * * * *

REPORTS AND AUDITS

SEC. 2006. (a) Each State shall prepare reports on its activities carried out with funds made available (or transferred for use) under this title. [Reports shall be in such form, contain such information, and be of such frequency (but not less often than every two years)] *Reports shall be prepared annually, covering the most recently completed fiscal year, and shall be in such form and contain such information (including but not limited to the information specified in subsection (c)) as the State finds necessary to provide an accurate description of such activities, to secure a complete record of the purposes for which funds were spent, and to determine the extent to which funds were spent in a manner consistent with the reports required by section 2004. The State shall make copies of the reports required by this section available for public inspection within the State and shall transmit a copy to the Secretary. Copies shall also be provided, upon request, to any interested public agency, and each such agency may provide its views on these reports to the Congress.*

* * * * *

(c) *Each report prepared and transmitted by a State under subsection (a) shall set forth (with respect to the fiscal year covered by the report)—*

(1) *the number of individuals who received services paid for in whole or in part with funds made available under this title, showing separately the number of children and the number of adults who received such services, and broken down in each case to reflect the types of services and circumstances involved;*

(2) *the amount actually spent in providing each such type of service, showing separately for each type of service the amount spent per child recipient and the amount spent per adult recipient;*

(3) *the criteria applied in determining eligibility for services (such as income eligibility guidelines, sliding fee scales, the effect of public assistance benefits, and any requirements for enrollment in school or training programs); and*

(4) *the methods by which services were provided, showing separately the services provided by public agencies and those pro-*

vided by private agencies, and broken down in each case to reflect the types of services and circumstances involved.

The Secretary shall establish uniform definitions of services for use by the States in preparing the information required by this subsection.

[c](d) For other provisions requiring States to account for Federal grants, see section 6503 of title 31, United States Codes.

VI. ADDITIONAL VIEWS OF HON. FORTNEY H. (PETE) STARK

The Committee's bill provides an increase in the AFDC cap for Puerto Rico, Guam, the Virgin Islands, and an extension of AFDC to American Samoa. Further, it calls for a study of the reasons for imbalances in per capita assistance among the various Possessions.

The General Accounting Office is completing a study, made at the request of Rep. Harold Ford and myself, entitled "Welfare and Taxes: Extending Benefits and Taxes to Puerto Rico, Virgin Islands, Guam, and American Samoa." This report will be released in early July and should serve as the basis of a major review of the treatment of the Possessions, both from a public assistance and a tax point of view.

While the final figures are still being adjusted and additional comments being accepted from the Possession Governments, the report will—in general—show that if the full range of Federal social services were extended to the Possessions, it would increase spending on the most needy by about a billion dollars.

There is no way in this budget climate that such a program expansion will occur.

Except, the report will also show that special tax subsidies, in large part to corporations and the owners of capital—the upper income groups—cost the Treasury several billion dollars per year.

Obviously, some trimming of the tax subsidies could be used to provide a more adequate level of benefits to the most needy in the Possessions, and yet still remain budget neutral for the Federal Treasury.

The implications of such a shift in benefits and obligations would be enormous and must be the subject of careful social and political consideration. It is a debate which is long overdue. The GAO's report will be an important tool for the Congress, and they are to be commended for completing this difficult work.

I hope that as the Committee looks at the issue of inter-Possession welfare imbalances, it will broaden its work to look at the entire tax and social services issue.

FORTNEY H. (PETE) STARK.

ADDITIONAL VIEWS OF HON. DON J. PEASE

The Ways and Means Committee has produced a welfare reform bill which should merit the support of members of Congress and taxpayers alike. The committee has taken a pragmatic approach to welfare reform, acknowledging the factors that often serve as obstacles to welfare recipients getting into the workforce and addressing them. These include access to health care and day care services. The committee bill probably does not represent any member's ideal solutions to these kinds of problems, but, in my view, it takes us in the direction we should be heading.

Because welfare reform enjoys such widespread support among the taxpaying public as a concept, I believe that it is important that the committee bill represent reform not only to those of us who have worked on welfare programs for many years but also to those who will have to base their perceptions of our work on limited synopses of what we have done. Consequently, I am concerned about how the committee's changes to the Community Work Experience Program (CWEP) will be perceived by the public at large.

Congress rejected the Reagan Administration's fiscal year 1982 budget proposal which would have made CWEP mandatory, and I believe that was a correct decision. However, current law allowing the states to implement CWEP on an optional basis strikes me as a reasonable way to proceed. As of late last year, about half of the states had begun CWEP programs. States have implemented these programs because they believe in the value of basic work experience for the welfare population, so many of whom lack such experience. The NETWork program, which is the keystone of the committee bill, acknowledges the primary importance of education, training, and work experience as the best routes off of the welfare rolls. To limit an optional program that many states have found to be a useful tool seems inconsistent with the bill's strong emphasis on work.

Above all, I do not want to see the committee's hard work on this bill pilloried in the forum of public opinion as an expansion of welfare or as providing additional ways for the employable welfare recipient to avoid work. I do not hold strong views one way or the other on CWEP itself. My principal concern is that the important improvements in welfare we have been able to achieve could become overshadowed by attacks on the committee's changes in the CWEP program.

DON J. PEASE.

VII. DISSENTING VIEWS OF MESSRS. JOHN J. DUNCAN, BILL ARCHER, GUY VANDER JAGT, PHILIP CRANE, BILL FRENZEL, DICK SCHULZE, BILL GRADISON, WILLIAM THOMAS, HAL DAUB, JUDD GREGG, HANK BROWN, AND ROD CHANDLER

Republican Ways and Means Committee Members are unified in their opposition to H.R. 1720. The bill is severely flawed because it:

1. Creates new barriers to work;
2. Raises benefits above the wages of entry-level jobs in many states;
3. Prevents states from using demonstration projects to decrease welfare dependence and increase administrative efficiency; and,
4. Raises federal spending by more than \$5 billion in a time of massive deficits without designating a financing mechanism to pay for it.

Rather than breaking the cycle of poverty and dependence, the bill harms welfare recipients, making them more dependent and unable to afford to work. It is a cruel approach that discourages independence and productive work. If we truly wish to help the poor, we will break down the barriers that keep people from using their talents to become productive citizens. H.R. 1720 takes exactly the wrong approach.

RESTRICTIONS ON WORK

Four specific objections head the long list of concerns with this bill. Our chief objection is that, despite the rhetoric advertising the bill as pro-work, in fact it contains several provisions restricting work. First, language in Title I would prohibit local officials from assigning participants to jobs at less than the "current pay scale" for that position. Determining the "current pay scale" prior to referring someone to a job is costly, time consuming, and impractical considering the wide variety of potential jobs. No funds are included to perform this task.

Language in Title I explicitly bars state and local officials from assigning recipients to jobs under the Community Work Experience Program (CWEP) for more than six months. Indeed, under some circumstances, officials are barred from using work experience for more than three months. Recipients would thus be denied the opportunity to work even though a CWEP job were available. A work program used by many states for several years has been arbitrarily limited.

A third work restriction is the Title I provision stating that no AFDC recipients can be forced to take a job that pays less than their welfare benefits, including the insurance value of their Medicaid. In California, the combined value of AFDC, food stamps, and

medicaid is about \$826 per month. Thus, the bill would bar California officials from requiring AFDC mothers to accept a job paying \$4.50 per hour, regardless of the fact that experience in a \$4.50 an hour job can lead to a much higher paying position. By boosting welfare benefits to a level above what an entry level job pays, and then prohibiting assignment to a job that doesn't pay more than welfare, the bill entraps the poor.

Another direct obstruction to work in this bill is an exemption of all mothers with children under age 3 from any participation requirements. The majority of American mothers with children under age 3 already are working. If you start with a young, unwed mother, who very well may be a high school dropout with limited if any work experience, and you cause her to stay home for three years, how difficult will it then be to bring her into the discipline required in the work place? For many of those young people, the greatest problem is fear—fear of the unknown, fear of the world of work. A three year delay of the process is too long, allowing a pattern of dependency to develop.

ADEQUACY OF WELFARE BENEFITS

This bill is designed to increase the size of welfare checks. Witnesses before the Public Assistance Subcommittee and the full Committee testified that AFDC mothers could not be expected to work until their most elemental needs were satisfied. This line of reasoning was used to justify benefit increases. Completely overlooked was the simple fact that welfare benefits and work incentives are inseparably linked. In the 1970s, the Ways and Means Committee helped pay for a series of four, large-scale experiments to test the relationship between guaranteed income and work. Each of these produced solid evidence that fathers, single-parent mothers, mothers in two-parent families, and teenagers all reduced their hours of work when their families were guaranteed income without a work requirement.

Congress must exercise great caution in setting welfare benefits. We must walk a delicate line between helping the needy and reducing incentive and self-reliance. Some reformers claim that welfare benefits must be increased because inflation has eroded the value of AFDC. The facts show this claim to be false.

AFDC is only one among many welfare programs, and any fair assessment of the financial condition of welfare families should attempt to assess the entire package of benefits for which they are eligible. Tables 1 and 2 attached to these views depict two benefit packages that are typical of families participating in the welfare system. The first column, in Table 1, shows that in California, welfare families can have cash and in-kind income worth nearly \$11,000 per year; a similar package in Colorado could be worth up to about \$9,000 per year; and even in a low-benefit state such as Alabama the package can be worth over \$6,000 per year. If the value of housing is included—and about 25% of AFDC families receive housing—the value of the welfare package can be as high as \$16,000 in California, \$14,000 in Colorado and \$11,000 in Alabama (see table 2).

As shown in the first panel of Table 3, federal expenditures on seven major welfare programs have increased dramatically, no matter what year one takes as a baseline. Since 1970, spending on the programs has increased 232% in constant dollars; since 1975, spending has increased 56% in constant dollars. Even since 1981, despite all the rhetoric about budget cuts, federal deficits, and the Gramm-Rudman-Hollings sequestration of 1986, expenditures are up 7%.

One could argue that total federal expenditures are not necessarily reflected in benefits received by particular families. Perhaps more money was spent on administration or perhaps participation in the programs expanded, either of which could reduce the level of benefits received by individual families. To examine this possibility, we asked the Congressional Research Service to assemble the data shown in the second and third panels of Table 3. The data clearly show this argument is not correct.

Table 3 demonstrates that there has been substantial expansion in the number of recipients of each benefit type, ranging from a mere 49% in the AFDC program to 386% in the food stamp program. On average, for the five programs in existence since 1970, the increase in participation between 1970 and 1986 was about 173%. During this period, the number of poor people increased about 30%. Thus, it is almost certain that a higher proportion of the poor are covered by each of these programs.

The second conclusion supported by Table 3 is that benefits in all the programs except AFDC have increased substantially since 1970. Although per family AFDC benefits have declined 16% since 1970, benefits in the other five programs in existence since 1970 have increased between 53% (food stamps) and 152% (housing); on average, the four programs that have increased now provide average benefits about 85% higher than in 1970.

Recent Census Bureau data demonstrate unequivocally that virtually every AFDC family receives at least one additional benefit, that nearly all families receive at least two additional benefits, and that many families receive three or more additional benefits. More specifically, the Survey of Income and Program Participation shows that:

- 95% of AFDC families are covered by Medicaid;
- 82% receive food stamps;
- 33% have children who receive the school lunch benefit;
- 25% receive housing benefits; and
- 16% receive WIC benefits.

The same study also shows that a higher percentage of female-headed AFDC families, as compared with two-parent AFDC families, receives each of these benefits.

Impressive though these data might be, they provide no estimate of how many AFDC families also receive benefits from the wide variety of programs not listed in any of our tables—programs such as Head Start, Title XX social services, any of the numerous job training programs, college grants or loans, commodity food, and so forth. Spending in nearly all these programs has increased dramatically since 1970, and many of them were not even in existence in 1970.

Some of us also are very much opposed to another type of benefit expansion, the mandatory requirement that all states offer the

AFDC program to two-parent families (AFDC-UP). This provision will cost more than \$1.1 billion in federal dollars and nearly \$1 billion in state dollars over three years. It will also bring more than 90,000 new families onto the welfare rolls.

Those who favor this provision say that it prevents families from breaking up in order to become eligible for AFDC. However, numerous studies have failed to produce evidence that families do in fact break up in order to qualify for AFDC. For example, if AFDC cash income had any influence on family composition, states that pay high benefits should have higher rates of female-headed families than states that pay low benefits. Studies show that there is no relation between state benefit levels and percentage of children living with two parents, divorce rates, birth rates to unmarried women, or any other measure of family composition.

Because AFDC-UP is seen as a program of certain costs and uncertain benefits, most Republicans oppose it.

By way of summary, there are now more programs for poor and low-income citizens than at any time in the past, these programs serve more people, and average benefits in most of the programs have increased over time. Where is the justification for benefit increases? Welfare benefits have increased substantially and offer serious competition for low-income jobs. Given that benefit increases will lead to further reductions in job seeking, and make it more difficult for people to leave welfare, benefit increases are inappropriate at this time.

STATE DEMONSTRATIONS

A third major objection to H.R. 1720 is that the bill fails to grant the Administration's request for a broad demonstration authority that would allow state governments to experiment with their welfare programs. The current system greatly restricts what states can do, especially should they think it appropriate to combine welfare benefits.

Current federal statutes and regulations constitute an immense barrier to experimentation and reform of the nation's welfare system. Thus, the Administration requested a new authority to allow a group of cabinet-level secretaries, headed by a Presidential appointee, to solicit, receive, review, and approve demonstration plans from states interested in improving their welfare programs. Believing that Congress has responsibility for ensuring that welfare participants receive benefits given to them by the federal government—particularly in the case of entitlement programs—House Republicans revised the Administration proposal by adding a mechanism for Congressional veto of any demonstration deemed inappropriate. In addition, rather than leave the demonstration authority open to any program that served low-income citizens, as the Administration had done, House Republicans identified a specific list of 21 programs to which the authority would be limited. This change would allow Congress to more effectively provide oversight of the demonstrations and would also limit the number of Congressional Committees that would need to examine the proposals.

The states are a robust source of ideas on effective ways to improve the nation's welfare system by decreasing dependence and in-

creasing administrative efficiency. Prohibiting state experimentation in this area denies our country its best opportunity to develop new programs to help the poor.

COST AND FINANCING

H.R. 1720 is estimated to cost more than \$5.2 billion over five years. No provision has been made for financing this enormous cost. As written, the measure violates the House passed budget which assumes welfare reform should be deficit neutral. Any responsible welfare reform bill must contain provisions for financing.

SUMMARY

Now, for the first time ever, Republican and Democrats agree that dependency on welfare programs is a serious problem, and that work, for those who are able, and preparation for work, form at least a partial solution to the problem. Thus, the Congress should seize this opportunity to reform our nation's welfare programs by giving states the flexibility and money to help AFDC families join the rest of society by entering the workforce. Promoting work, not increasing welfare benefits, is the key to welfare reform.

TABLE 1.—COMPARISON OF VALUE OF WELFARE BENEFITS ¹ IN HIGH, MODERATE, AND LOW-BENEFIT STATES FOR FAMILIES WITH VARIOUS LEVELS OF EARNED INCOME: (A) BASIC PACKAGE MAY 1987

Type of benefit, income, or tax	Level of earned income ¹⁰		
	No earnings	half-time at minimum wage	Full-time at minimum wage
California (High Benefit)			
AFDC ²	\$617	\$441	\$171
Food stamps.....	58	46	66
Medicaid ³	151	151	151
LIHEAP ⁴	33	33	33
School meals ⁵	54	54	54
Earnings.....	0	290	581
EITC ⁶	0	41	70
State Tax ⁷	0	0	0
Social Security tax ⁸	0	(21)	(42)
Total, monthly.....	913	1,035	1,084
Total, annual.....	10,956	12,420	13,008
Colorado (Moderate Benefit)			
AFDC.....	\$346	\$201	0
Food stamps.....	139	118	\$117
Medicaid.....	123	123	0
LIHEAP.....	83	83	83
School means.....	54	54	54
Earnings.....	0	290	581
EITC.....	0	41	70
State tax.....	0	0	(51)
Social Security tax.....	0	(21)	(42)
Total, monthly.....	745	889	812
Total, annual.....	8,940	10,668	9,744

TABLE 1.—COMPARISON OF VALUE OF WELFARE BENEFITS ¹ IN HIGH, MODERATE, AND LOW-BENEFIT STATES FOR FAMILIES WITH VARIOUS LEVELS OF EARNED INCOME: (A) BASIC PACKAGE MAY 1987—Continued

Type of benefit, income, or tax	Level of earned income ¹⁰		
	No earnings	half-time at minimum wage	Full-time at minimum wage
Alabama (Low Benefit)			
AFDC.....	\$118	0	0
Food stamps.....	214	\$191	\$117
Medicaid ⁹	111	0	0
LIHEAP.....	30	3020	
School meals.....	54	54	54
Earnings.....	0	290	581
EITC.....	0	41	70
State tax.....	0	0	(105)
Social Security tax.....	0	(21)	(42)
Total, monthly.....	527	585	705
Total, annual.....	6,324	7,020	8,460

¹ In addition to the benefits listed in the table, adults and children in AFDC families are eligible for a variety of other benefits. These include, but are not limited to (1987 expenditures in billions of dollars are given in parentheses): housing (\$13.9), Title XX Social Services (\$2.7), the WIC special food program (\$1.7), family social services (\$9), Head Start (\$1.1), job training under Title IIA of the Job Training Partnership Act (\$1.8), Summer Youth Employment and Job Corps (\$1.3), compensatory education (\$3.1), vocational and adult education (\$1.0). All figures were taken from Chapter 5 of Budget of the United States Government: Fiscal Year 1987.

² AFDC and Food Stamp benefits were calculated according to the appropriate formula for each state. Benefits were calculated for a mother and two dependent children.

³ The market value of Medicaid was taken from U.S. Bureau of the Census, Estimates of Poverty Including the Value of Noncash Benefits: 1985 (Technical Paper 56), Table B-9, p. 65, Washington, D.C.: 1986.

⁴ The Low-Income Home Energy Assistance Program (LIHEAP) provides four types of benefits to recipients: home heating, home cooling, crisis assistance, and weatherization. States set their own benefit levels and income limits. Generally, states cannot set a maximum income limit less than 110%, or more than 150%, of the federal poverty level. About 65% of the \$2.3 billion appropriation for Fiscal Year 1985 was spent on home heating. The maximum benefits shown here for recipients living in California, Colorado, and Alabama are based just on the home heating program. Data were obtained from Leon Litow of the Family Support Administration, Department of Health and Human Services.

⁵ For the 1986-87 school year, the federal cash reimbursement for lunches served to children from families with incomes below 130% of the poverty level is \$1.36 per meal; the comparable value for breakfasts is \$.71. In a 20-day month, a family with two children would receive a benefit of \$54.40 for lunches and \$28.40 for breakfasts. Because families do not receive these benefits in the summer months, and because fewer families actually receive the breakfasts than the lunches, we estimate the value of school meals at only \$54. (see Committee on Ways and Means. Background Material and Data on Programs within the Jurisdiction of the Committee on Ways and Means. Washington, D.C.: U.S. Government Printing Office, 1987.)

⁶ The Earned Income Tax Credit was computed in accord with the 1986 tax law; i.e., at 14%.

⁷ State taxes were computed by Carmen Solomon of the Congressional Research Service.

⁸ Social Security taxes were calculated on 7.15% of earned income.

⁹ Medicaid eligibility is tied to AFDC (and Supplemental Security Income). As a result, when a recipient loses the AFDC benefit because of earned income, the family also loses its Medicaid benefit in most states (including Alabama and Colorado).

¹⁰ When AFDC recipients first begin to work, they are allowed to deduct \$105 of their earnings as an initial work disregard, any day care expenses up to a maximum of \$160 per child per month, and one-third of the rest of their earnings. After 4 months, they can no longer disregard one-third of the rest of their earnings; after 12 months, the initial work disregard is reduced from \$105 to \$75. All the computations here are based on the assumption that the recipient mother has worked for 12 months; i.e., that the work disregard is \$75 and the one-third disregard is not in effect.

Note: This benefit package assumes that housing was not available.

TABLE 2.—COMPARISON OF VALUE OF WELFARE BENEFITS ¹ IN HIGH, MODERATE, AND LOW-BENEFIT STATES FOR FAMILIES WITH VARIOUS LEVELS OF EARNED INCOME: (B) BASIC PACKAGE PLUS WIC AND HOUSING BENEFITS MAY 1987

Type of benefit, income, or tax	Level of earned income ²		
	No earnings	Half-time at minimum wage	Full-time at minimum wage
California (High Benefit)			
AFDC ²	\$617	\$441	\$171
Food stamps.....	58	46	66
Medicaid.....	151	151	151
Housing ⁴	409	386	386
School meals ⁵	54	54	54
WIC ⁶	32	32	32
LIHEAP ⁷	33	33	33
Earnings.....	0	290	581
EITC ⁸	0	41	70
State tax ⁹	0	0	0
Social Security tax ¹⁰	0	(21)	(42)
Total, monthly.....	1,354	1,453	1,502
Total, annual.....	16,248	17,436	18,024
Colorado (Moderate Benefit)			
AFDC.....	\$346	\$201	0
Food stamps.....	139	118	\$117
Medicaid ¹¹	123	123	0
Housing.....	415	393	358
School meals.....	54	54	54
WIC.....	32	32	32
LIHEAP.....	83	83	83
Earnings.....	0	290	581
EITC.....	0	41	70
State tax.....	0	0	(51)
Social Security tax ¹⁰	0	(21)	(42)
Total, monthly.....	1,192	1,314	1,202
Total, annual.....	14,304	15,768	14,424
Alabama (Low Benefit)			
AFDC.....	\$118	0	0
Food stamps.....	214	\$191	\$117
Medicaid ¹¹	111	0	0
Housing.....	353	307	228
School meals.....	54	54	54
WIC.....	32	32	32
LIHEAP.....	30	30	30
Earnings.....		290	581
EITC.....	0	41	70
State tax.....	0	0	(105)
Social Security tax.....	0	(21)	(42)
Total, monthly.....	912	924	965
Total, annual.....	10,944	11,088	11,580

¹ In addition to the benefits listed in the table, adults and children in AFDC families are eligible for a variety of other benefits. These include, but are not limited to (1987 expenditures in billions of dollars are given in parentheses): Title XX Social Services (\$2.7), family social services (\$9), Head Start (\$1.1), job training under Title IIA of the Job Training Partnership Act (\$1.8), Summer Youth Employment and Job Corps (\$1.3), compensatory education (\$3.1), vocational and adult education (\$1.0). All figures were taken from Chapter 5 of Budget of the United States Government: Fiscal Year 1987.

² AFDC and Food Stamp benefits were calculated according to the appropriate formula for each state. Benefits were calculated for a mother and two dependent children.

³ The market value of Medicaid was taken from U.S. Bureau of the Census, Estimates of Poverty Including the Value of Noncash Benefits: 1985 (Technical Paper 56), Table B-9, p. 65. Washington, D.C.: 1986.

⁴ Housing is not an entitlement; only about 24% of AFDC families actually receive the housing benefit. Our calculations assume these deductions: \$40 for each child and child care costs equal to 20 percent of earnings, not counting the EITC. Housing subsidies are determined on an annual basis. The calculation was adjusted here to get monthly values. Each household is expected to pay the higher of: 1) 30 percent of its adjusted income; or 2) 10 percent of gross income. The value of the subsidy is the difference between the contract rent and the rent paid by the tenant. The contract rent cannot exceed a HUD-determined Fair Market Rent (FMR). The following FMRs (from August 8, 1986) for a two-bedroom apartment were used: \$570 for Los Angeles, CA; \$495 for Denver, CO; \$365 for Birmingham, AL.

⁵ For the 1986-87 school year, the federal cash reimbursement for lunches served to children from families with incomes below 130% of the poverty level is \$1.36 per meal; the comparable value for breakfasts is \$.71. In a 20-day month, a family with two children would receive a benefit of \$54.40 for lunches and \$28.40 for breakfasts. Because families do not receive these benefits in the summer months, and because fewer families actually receive the breakfasts than the lunches, we estimate the value of school meals at only \$54. (see Committee on Ways and Means. Background Material and Data on Programs within the Jurisdiction of the Committee on Ways and Means. Washington, D.C.: U.S. Government Printing Office, 1987.)

⁶ The Special Supplemental Food Program for Women, Infants, and Children (WIC) was worth \$32 per month in 1986.

⁷ The Low-Income Home Energy Assistance Program (LIHEAP) provides four types of benefits to recipients: home heating, home cooling, crisis assistance, and weatherization. States set their own benefit levels and income limits. Generally, states cannot set a maximum income limit less than 110%, or more than 150%, of the federal poverty level. About 65% of the \$2.3 billion appropriation for Fiscal Year 1985 was spent on home heating; the maximum benefit for recipients living in California, Colorado, and Alabama are based just on the home heating program. Data were obtained from Leon Litow of the Family Support Administration, Department of Health and Human Services.

⁸ The Earned Income Tax Credit was computed in accord with the 1986 tax law, i.e., at 14%.

⁹ State Taxes were computed by Carmen Solomon of the Congressional Research Service.

¹⁰ Social Security taxes were calculated on 7.15% of earned income.

¹¹ Medicaid eligibility is tied to AFDC (and Supplemental Security Income). As a result, when a recipient loses the AFDC benefit because of earned income, the family also loses its Medicaid benefit in most states (including Alabama and Colorado).

¹² When AFDC recipients first begin to work, they are allowed to deduct \$105 of their earnings as an initial work disregard, any day care expenses up to a maximum of \$160 per child per month, and one-third of the rest of their earnings. After 4 months, they can no longer disregard one-third of the rest of their earnings. After 12 months, the initial work disregard is reduced from \$105 to \$75. All the computations here are based on the assumption that the recipient mother had worked for 12 months; i.e., that the work disregard is \$75 and the one-third disregard is not in effect.

TABLE 3.—CHANGES IN PARTICIPANTS AND BENEFITS FOR SELECTED MAJOR WELFARE PROGRAMS, 1970–86¹

[In fiscal years]

Program	Expenditures in constant 1986 dollars (billions)				Number of recipients (millions) ²				Average annual spending per recipient unit ¹⁰			
	1970	1975	1981	1986	1970	1975	1981	1986	1970	1975	1981	1986
AFDC ^{3,11}	\$6.8	\$9.6	\$8.6	\$8.5	7.4	11.1	11.2	11.0	\$920	\$871	\$766	\$777
Food stamps ^{4,12}	1.5	8.2	12.4	11.4	4.3	17.1	22.4	20.9	357	482	553	546
Medicaid ^{5,13}	9.6	18.2	24.0	23.4	15.0	22.5	22.5	22.6	640	812	1,069	1,038
School lunch ^{6,12}.....	.5	2.0	2.3	2.4	5.6	10.1	12.5	11.6	86	197	188	208
Housing ^{7,14}	1.3	4.2	8.1	12.2	1.1	2.0	3.3	4.1	1,184	2,119	2,462	2,987
WIC ^{8,12}	NP	.1	.8	1.3	NP	.1	2.1	3.3	NP	416	390	383
Low-income home energy ^{9,15}	NP	NP	1.5	1.4	NP	NP	7.1	6.5	NP	NP	209	211

¹ Except in the case of housing programs, where separate administrative costs were not identified.

² AFDC, food stamps, and WIC: average monthly number of persons participating. Free and reduced-price school lunches: average daily number of low and lower-income children participating. Medicaid: total annual number of persons participating. Low-income Home Energy Assistance (LIHEAP): total annual number of households participating. Housing programs: total households receiving aid at the end of the fiscal year (FY 1970, estimated).

³ AFDC benefit expenditures are from Committee on Ways and Means Print 100-4, p. 424. Recipient data are from the same print, p. 428-29.

⁴ Food stamp expenditures and recipient data are from U.S. Agriculture Department, Food and Nutrition Service, budget documents. Includes spending and recipients in Puerto Rico.

⁵ Medicaid expenditures and recipient data are from the Budget appendixes for FYs 1972, 1977, 1983, and 1988, except for the FY 1986 recipient count, which is from the Department of Health and Human Services press release accompanying the FY 1988 budget.

⁶ School lunch expenditure and recipient data for FYs 1981 and 1986 were supplied by U.S. Agriculture Department budget staff. Data for FYs 1970 and 1975 were obtained from FY 1972 and FY 1977 Budget Appendixes, adjusted for reimbursement rates shown in Congressional Research Service Report 83-539 EPW.

⁷ Housing expenditures and numbers of units were obtained from Carla Pedone of the Congressional Budget Office. The figures include: Section 8 (new construction); Section 8 (existing housing and vouchers); Public Housing (including operating subsidies); other Department of Housing and Urban Development programs; and Section 235 housing.

⁸ WIC expenditure and recipient data are from Congressional Research Service Report 86-794 EPW, p. 19, and U.S. Agriculture Department, Food and Nutrition Service, budget documents accompanying the FY 1988 budget.

⁹ LIHEAP expenditure and recipient data include only the heating assistance portion of the LIHEAP. They were obtained from Department of Health and Human Services program staff. Expenditure data include approximately \$40 million nonheating assistance funds, in both years.

¹⁰ Constant-dollar benefit spending per recipient was derived from current-dollar benefits from the same sources noted in footnotes 3 through 9, except for free and reduced-price school lunches. Average free and reduced-price benefits for low and lower-income children were estimated by dividing the total expenditures by the total number of low and lower-income children participating; actual free and reduced-price meal subsidies were higher (for free meals) and lower (for reduced-price meals).

Recipient units are: persons for AFDC, food stamps, Medicaid, school lunches, and WIC, and households for housing programs and the LIHEAP.

¹¹ Current dollars were converted to FY 1986 values by use of fiscal year implicit price deflators for personal consumption expenditures; as shown in Congressional Research Service Report 87-129, p. 122.

¹² Current dollars were converted to FY 1986 values by use of the fiscal year average index number for the food component of the Consumer Price Index (the CPI-U for 1981 and 1986; the CPI-W for 1970 and 1975). Data on this component were taken from the Economic Report of the President (1971, 1976, 1982, and 1987).

¹³ Current dollars were converted to FY 1986 values by use of the fiscal year average index number for the medical care services component of the Consumer Price Index (the CPI-U for 1981 and 1986; the CPI-W for 1970 and 1975). Data on this component were taken from the Economic Report of the President (1971, 1976, 1982, and 1987).

¹⁴ Current dollars were converted to FY 1986 value by use of fiscal year implicit price deflators for the gross national product from Congressional Research Service Report 87-129 EPW, page 122.

¹⁵ Current dollars were converted to FY 1986 values by use of the fiscal year average index number for the energy component of the Consumer Price Index (the CPI-U for 1981 and 1986; the CPI-W for 1970 and 1975). Data on this component were taken from the Economic Report of the President (1971, 1976, 1982, and 1987).

Note: NP indicates no program.

Source: Data in this table were prepared by Vee Burke and Joe Richardson of CRS.

JOHN J. DUNCAN.
BILL ARCHER.
GUY VANDER JAGT.
PHILIP CRANE.
BILL FRENZEL.
DICK SCHULZE.
BILL GRADINOW.
WILLIAM THOMAS.
HAL DAUB.
JUDD GREGG.
HANK BROWN.
ROD CHANDLER.

FAMILY WELFARE REFORM ACT OF 1987

AUGUST 7, 1987.—Ordered to be printed

Mr. HAWKINS, from the Committee on Education and Labor,
submitted the following

REPORT

together with

MINORITY AND ADDITIONAL VIEWS

[To accompany H.R. 1720 which on March 19, 1987, was referred jointly to the Committee on Ways and Means, and in addition referred to the Committee on Education and Labor for consideration of such provisions of title I of the bill as fall within the jurisdiction of that committee under clause 1(g), rule X, and to the Committee on Energy and Commerce for consideration of such provisions of title IV of the bill as fall within the jurisdiction of that committee under clause 1(h), rule X]

[Including cost estimate of the Congressional Budget Office]

The Committee on Education and Labor, to whom was referred the bill (H.R. 1720) to replace the existing AFDC program with a new Family Support Program which emphasizes work, child support, and need-based family support supplements, to amend title IV of the Social Security Act to encourage and assist needy children and parents under the new program to obtain the education, training, and employment needed to avoid long-term welfare dependence, and to make other necessary improvements to assure that the new program will be more effective in achieving its objectives, having considered the same, reports favorably thereon with amendments and recommends that the bill as amended do pass.

The amendments (stated in terms of the page and line numbers of the introduced bill) are as follows:

Page 4, beginning on line 1, through page 37, line 9, strike out all of title I and insert in lieu thereof the following:

TITLE I—FAIR WORK OPPORTUNITIES PROGRAM

SEC. 101. ESTABLISHMENT OF FAIR WORK OPPORTUNITIES PROGRAM.

(a) **STATE PLAN REQUIREMENT.**—Section 402(a)(19) of the Social Security Act is amended to read as follows:

“(19) provide that the State has in effect and operation a Fair Work Opportunities Program approved by the Secretary of Labor as meeting all of the requirements of section 416 and of part C of this title;”.

(b) **ESTABLISHMENT AND OPERATION OF STATE PROGRAMS.**—Part A of title IV of such Act is amended by adding at the end thereof the following new section:

“FAIR WORK OPPORTUNITIES PROGRAM

“SEC. 416. (a) **PURPOSE.**—It is the purpose of the Fair Work Opportunities Program required under subsection (b) to assure that needy children and parents obtain the education, training, and employment which will help them avoid long-term welfare dependence.

“(b) **ESTABLISHMENT AND OPERATION OF PROGRAMS.**—As a condition of its participation in the Family Support Program under this part, each State shall establish and operate a Fair Work Opportunities Program approved by the Secretary of Labor as meeting the requirements of part C of this title.

“(c) **PARTICIPATION.**—(1) Each adult recipient of family support supplements in the State who is not exempt under paragraph (3) shall be required to participate in the Fair Work Opportunities Program under part C to the extent that the program is available in the political subdivision where he or she resides and State resources otherwise permit. The State public assistance agency (as such term is defined in section 431(6)) shall take such action as may be necessary to ensure that each recipient of such supplements (including each such recipient who is exempt under paragraph (3)) is notified and fully informed concerning the education, training, and work opportunities offered under the program.

“(2) The State may require participation in the program under part C by recipients who are not exempt under paragraph (3) (hereinafter referred to as ‘mandatory participants’), and shall also extend the opportunity to participate in the program to recipients who are exempt under paragraph (3) (hereinafter referred to as ‘voluntary participants’). The State shall actively encourage such exempt recipients to participate in the program, and shall from time to time furnish to the Secretary of Labor appropriate assurances that it is doing so.

“(3) The following are exempt from mandatory participation in the program under part C—

“(A) an individual who is ill, incapacitated, or 60 years of age or over;

“(B) an individual who is needed in the home because of the illness or incapacity of another family member;

“(C) the parent or other caretaker relative of a child under 3 years of age (subject to the last sentence of this paragraph); except that the State shall permit and encourage participation in the program in the case of parents and other caretaker relatives of children who have attained 1 year of age but who have not attained 3 years of age, where appropriate day care is guaranteed to the relative involved and his or her participation is on a part-time basis;

“(D) the parent or other caretaker relative of a child who has attained 3 years of age but not 6 years of age unless appropriate day care is guaranteed to such relative and his or her participation is on a part-time basis;

“(E) the parent or other caretaker relative of a child who has attained 6 years of age but not 15 years of age unless appropriate day care is guaranteed to such relative during any period while such child is not in school or is not otherwise receiving care during the time such parent or relative is participating in the program under part C;

“(F) an individual who is working 20 or more hours a week;

“(G) a child who is under the age of 16 or attending, full time, an elementary, secondary, or vocational (or technical) school, except in the case of a minor parent with respect to whom the State has exercised its option under section 417(c);

“(H) a woman who is pregnant; and

“(I) an individual who resides in an area of the State where the program is not available.

In the case of a two-parent family to which section 407 applies, the exemption under subparagraph (C), (D), or (E) shall apply only to one parent or other caretaker rela-

tive; but the State may at its option make such exemption inapplicable in any such case to both of the parents or relatives involved (and require the participation in the program of one of them on a full-time basis) if appropriate child care is guaranteed in accordance with the applicable provisions of such subparagraph.

"(4) If the parent or other caretaker relative or any dependent child in the family attends (in good standing) a school, an accredited postsecondary institution, or a course of vocational or technical training which can reasonably be expected to lead to employment, at the time he or she would otherwise commence participation (as a mandatory participant or voluntary participant) in the program under part C, such attendance shall constitute satisfactory participation in the educational or training component of the program (by that parent, caretaker, or child) so long as it continues; and the family support plan shall so indicate. The costs of such school or training shall not constitute federally reimbursable expenses for purposes of section 403 (but this sentence shall not prevent the State from providing or making reimbursement for the cost of day care and other supportive services which are necessary for such attendance in accordance with section 402(g)).

"(5) For purposes of paragraph (3), the term 'appropriate day care' means only day care that (A) provides to the parent or caregiver, a safe, healthy, supportive setting appropriate for the age and individual needs of their children; (B) provides unlimited parental access; (C) posts in clear public view the appropriate telephone number for filing any complaint regarding child care quality, or health or safety violations; and (D) complies fully with all local health and fire safety standards (as required by section 402(g)(1)(B) of this Act as amended by title II of the Family Welfare Reform Act of 1987).

"(d) SPECIAL EFFORTS.—With the objective of making the most effective use of resources available to a State, special efforts shall be undertaken under this section and part C of this title to develop and provide needed services and activities for—

"(1) families with a teenage parent, and families with a parent who was under 18 years of age when the first child was born;

"(2) families that have been receiving aid to families with dependent children or family support supplements continuously for two or more years;

"(3) families with one or more children under 6 years of age;

"(4) families with a parent who has not been employed during the preceding 12 months or who lacks a high school diploma or equivalent, or has special educational needs; and

"(5) families with older children in which the youngest child is within 2 years of being ineligible for family support supplements because of age.

"(e) PRIORITIES.—To the extent that the resources available to a State are not adequate to accommodate the provision of services to all mandatory participants and voluntary participants under this section and part C, first consideration shall be given to those (whether mandatory or voluntary participants) who actively seek to participate in program activities.

"(f) ORIENTATION.—(1)(A) During orientation, the State public assistance agency shall provide each applicant for family support supplements full information (verbally and in writing) about the opportunities offered by the Fair Work Opportunities Program under part C and the rights, responsibilities, and obligations of participants in the program, the obligations of the State agency to provide necessary supportive services (including child care), and descriptions of transitional child care services and health coverage transitional options.

"(B) As part of such orientation, the local resource and referral agency, or (if resource and referral agencies are not in place) an agency representative knowledgeable about child care, shall also provide (i) information on the type and locations of quality child care services available within the geographical area reasonably accessible to applicants, (ii) assistance to such recipients to select developmentally appropriate quality child care services, and (iii) assistance to such recipients to make arrangements to obtain such child care services.

"(C) The information described in subparagraphs (A) and (B) shall also be provided to all current recipients of family support supplements within six months after regulations are issued to implement this section and shall also be available at any time to recipients of family support supplements who did not receive orientation under this subsection at the time of their initial application for such supplements or who need additional information about the program.

"(2) During the orientation described in paragraph (1), each applicant for or recipient of family support supplements shall be informed of the exemptions provided under subsection (c)(3), and the consequences of a refusal to participate in the program if not so exempt. Whether or not such applicant or recipient is so exempt, he or she shall be informed of the opportunity to receive first consideration for services

by actively seeking to participate in the program and shall be given appropriate opportunities to indicate his or her desire to participate at the end of the orientation session. Each such applicant or recipient shall also be notified in writing, within a month after the orientation, of the opportunity to indicate his or her desire to participate in the program, including a clear description of how to enter the program.

"(g) **JOB SEARCH.**—Job search by an applicant for family support supplements may be required or assisted while his or her application is being processed. During orientation, each applicant shall be informed that job search by a participant may be required or assisted after his or her initial assessment, after his or her education or training, and at other appropriate times during his or her participation in the program under part C, as may be set forth in the agency-client agreement entered into between such individual and the State work initiatives agency under part C and as otherwise provided by such State agency. After 8 weeks of job search activity without obtaining a job, a participant shall not be required to continue in such job search activity, but shall be provided education, training, or other activities designed to improve his or her prospects for employment. No requirement imposed by the State under the preceding provisions of this subsection may be used as a reason for any delay in making a determination of an individual's eligibility for family support supplements or in issuing a payment to or on behalf of any individual who is otherwise eligible for such supplements.

"(h) **SANCTIONS.**—(1) If any mandatory participant in the program under part C fails without good cause to comply with any requirement imposed with respect to his or her participation in such program—

"(A) the needs of such participant (whether or not section 407 applies) shall not be taken into account in making the determination with respect to his or her family under section 402(a)(7), and

"(B) if such participant is a member of a family which is eligible for family support supplements by reason of section 407, and his or her spouse is not participating in the program, the needs of such spouse shall also not be taken into account in making such determination.

The sanction described in subparagraph (A) (and the sanction described in subparagraph (B) if applicable) shall continue until the participant's failure to comply ceases; except that such sanction shall continue for a minimum of 3 months if the failure to comply is the participant's second or a subsequent such failure.

"(2) No sanction shall be imposed under paragraph (1) until appropriate notice thereof has been provided to the participant involved, and until conciliation efforts have been made to discuss and resolve the participant's failure to comply and to determine whether or not good cause for such failure existed. In any event, when a failure to comply has continued for 3 months, the State public assistance agency shall promptly remind the participant in writing of his or her option to end the sanction by terminating such failure.

"(3) If a voluntary participant drops out of the program under part C after having commenced participation in such program, he or she shall thereafter be given no priority so long as other mandatory or voluntary participants are actively seeking to participate under subsection (e).

"(i) **WORK SUPPLEMENTATION PROGRAMS.**—(1) Any State may institute a work supplementation program under which such State, to the extent it considers appropriate, may reserve the sums which would otherwise be payable to participants in the program under this section as family support supplements under the State plan approved under this part and use such sums instead for the purpose of providing and subsidizing jobs for such participants (as described in paragraph (3)(C)(i) and (ii)), as an alternative to the supplements which would otherwise be so payable to them under such plan.

"(2)(A) Notwithstanding any other provision of law, Federal funds may be paid to a State under this part, subject to the provisions of this section, with respect to expenditures incurred in operating a work supplementation program under this subsection.

"(B) Nothing in this part, or in any State plan approved under this part, shall be construed to prevent a State from operating (on such terms and conditions and in such cases as the State may find to be necessary or appropriate) a work supplementation program in accordance with the provisions of this Act applicable to this subsection.

"(C) Notwithstanding any other provision of law, a State may adjust the levels of the standards of need under the State plan to the extent the State determines such adjustments to be necessary and appropriate for carrying out a work supplementation program under this subsection.

"(D) Notwithstanding any other provision of law, a State operating a work supplementation program under this subsection may provide that the need standards in effect in those areas of the State in which such program is in operation may be different from the need standards in effect in the areas in which such program is not in operation, and such State may provide that the need standards for categories of recipients of family support supplements may vary among such categories to the extent the State determines to be appropriate on the basis of ability to participate in the work supplementation program.

"(E) Notwithstanding any other provision of law, a State may make further adjustments in the amounts of the family support supplements paid under the plan to different categories of recipients (as determined under subparagraph (D)) in order to offset increases in benefits from needs-related programs (other than the State plan approved under this part), to the extent the State determines such adjustments to be necessary and appropriate to further the purposes of the work supplementation program.

"(F) In determining the amounts to be reserved and used for providing and subsidizing jobs under this subsection as described in paragraph (1), the State may use a sampling methodology.

"(G) Notwithstanding section 402(a)(8) or any other provision of law, a State operating a work supplementation program under this subsection may reduce or eliminate the amount of earned income to be disregarded under the State plan to the extent the State determines such a reduction or elimination to be necessary and appropriate to further the purposes of the work supplementation program.

"(3)(A) A work supplementation program operated by a State under this subsection shall provide that any individual who is an eligible individual (as determined under subparagraph (B)) shall take a supplemented job (as defined in subparagraph (C)) to the extent that supplemented jobs are available under the program. Payments by the State to individuals or employers under the program shall be treated as expenditures incurred by the State for family support supplements under the State plan for purposes of section 403(a)(1) and (2), except as limited by paragraph (4) of this section.

"(B) For purposes of this subsection, an eligible individual is an individual (not exempt under subsection (c)(3)) who is in a category which the State determines should be eligible to participate in the work supplementation program, and who would, at the time of his or her placement in the job involved, be eligible for family support supplements under the State plan if such State did not have a work supplementation program in effect.

"(C) For purposes of this subsection, a supplemented job is—

"(i) a job provided to an eligible individual by the State work initiatives agency under part C; or

"(ii) a job provided to an eligible individual by any other employer for which all or part of the wages are paid by such agency.

A State may provide or subsidize any job under the program under this subsection which such State determines to be appropriate.

"(D) At the option of the State, individuals who hold supplemented jobs under a State's work supplementation program shall be exempt from the retrospective budgeting requirements imposed pursuant to section 402(a)(13)(A)(ii) (and the amount of the aid which is payable to the family of such individual for any month, or which would be so payable but for the family's participation in the work supplementation program, shall be determined on the basis of the income and other relevant circumstances in that month).

"(E) Section 439 shall apply with respect to assignments of eligible individuals to supplemented jobs under this subsection.

"(4) The amount of the Federal payment to a State under section 403(a) for expenditures incurred in making payments to individuals and employers under a work supplementation program under this subsection shall not exceed an amount equal to the amount which would otherwise be payable under paragraph (1) or (2) of such section if the family of each individual employed in the program had received the maximum amount of family support supplements payable under the State plan to such a family with no income (without regard to adjustments under paragraph (2) of this subsection) for a period of months equal to the lesser of (A) nine months, or (B) the number of months in which such individual was employed in such program. Expenditures so incurred shall be considered to have been made for family support supplements under the State plan for purposes of section 403(a)(1) and (2).

"(5) Wages paid under a work supplementation program shall be considered to be earned income for purposes of any provision of law.

"(6) Any State which chooses to operate a work supplementation program under this subsection must provide that any individual who participates in such program, and any child or relative of such individual (or other individual living in the same household as such individual) who would be eligible for family support supplements under the State plan approved under this part if such State did not have a work supplementation program, shall be considered individuals receiving family support supplements under the State plan approved under this part for purposes of eligibility for medical assistance under the State plan approved under title XIX.

"(j) **UNIFORM REPORTING REQUIREMENTS.**—The Secretary shall establish uniform reporting requirements under which each State will be required periodically to furnish such information and data as the Secretary may need to ensure that the purposes and provisions of this section are being effectively carried out, including at a minimum—

"(1) the average monthly number of families participating in the program under this section, the types of such families,

"(2) the amounts expended under the program (as family support supplements and otherwise) with respect to such families,

"(3) the length of time for which such families are assisted child care cost for such families,

"(4) the nature of child care arrangements for such families, and

"(5) the numbers of children in each age group (infants, toddlers, preschool, and school age) receiving child care assistance.

The information and data so furnished shall be separately stated with respect to each of the services and activities under this section."

(c) **ESTABLISHMENT OF PROGRAM.**—Part C of title IV of the Social Security Act is amended to read as follows:

"PART C—FAIR WORK OPPORTUNITIES FOR FAMILY SELF-SUFFICIENCY

"DEFINITIONS

"SEC. 431. As used in this part—

"(1) the term 'recipient' means an individual who is receiving aid to families with dependent children or family support supplements under part A of this title;

"(2) the term 'mandatory participant' means a recipient who is not exempt from the participation requirement under section 416(c)(2) and (3) of this Act;

"(3) the term 'voluntary participant' means a recipient who is exempt from the participation requirement under sections 416(c)(2) and (3) of this Act;

"(4) the term 'Secretary' means the Secretary of Labor;

"(5) the term 'State work initiatives agency' means the agency designated under section 433 to develop the State plan and administer the Fair Work Opportunities Program under this part;

"(6) the term 'State public assistance agency' means the agency which administers or supervises the State plan approved under section 402 of this Act;

"(7) the term 'postsecondary institution' has the meaning provided in section 4(18) of the Job Training Partnership Act; and

"(8) the term 'appropriate day care' has the meaning provided in section 416(c)(5) of this Act.

"AUTHORIZATION AND ALLOCATION OF FUNDS

"SEC. 432. (a) **AUTHORIZATION**—(1) There are authorized to be appropriated to the Secretary of Labor to carry out this part the sum \$650,000,000 for fiscal year 1988, and such sums as may be necessary for each succeeding fiscal year.

"(2) Of the amount appropriated pursuant to paragraph (1) in excess of \$200,000,000 for any fiscal year, the first \$150,000,000 shall be reserved for purposes of providing child care under this part.

"(b) **RESERVED FUNDS.**—Five percent of the amount so appropriated—

"(1) for fiscal year 1988 and fiscal year 1989, shall be made available by the Secretary to the States for technical assistance and planning grants and demonstration programs; and

"(2) for each succeeding fiscal year, shall be made available by the Secretary for demonstration programs and to the States determined by the Secretary to be excelling in terms of the performance standards under section 438.

"(c) **ALLOCATIONS.**—(1) The Secretary shall allocate 95 percent of the amount so appropriated for any fiscal year among the States to carry out plans approved under section 434. In allocating amounts among the States, the Secretary shall take into account each State's prior year allocations and the relative number of recipients in the various States during the most recent year for which satisfactory data are available.

"(2) Amounts allocated under this section to any State shall be in addition to any amount payable to such State for use under section 416 and this part pursuant to section 403(a)(4) (as amended by section 102 of the Family Welfare Reform Act of 1987).

"(d) **MATCHING REQUIREMENT.**—(1) Each State receiving an allocation under subsection (c)(1) shall ensure that there will be available, from non-Federal sources, a portion of the costs of providing services under this part. Contributions from non-Federal sources may be provided in cash or in kind.

"(2) The amount required to be provided from non-Federal sources in each State under paragraph (1) for fiscal year 1988 and each succeeding fiscal year shall be equal to the sum of—

"(A) 10 percent of so much of its allocation under subsection (c)(1) as does not exceed the State's prior year allocation;

"(B) 20 percent of so much of its allocation under subsection (c)(1) as does exceed the State's prior year allocation and is expended for purposes of education and training programs under sections 436(a) (2) and (3) and related child care and supportive services; and

"(C) 30 percent of so much of its allocation under subsection (c)(1) as does exceed the State's prior year allocation and is expended for any other purpose under this part (including administrative expenses).

"(e) **DEFINITION.**—As used in this section, the term 'prior year allocation' means the amount allocated to a State from appropriations for fiscal year 1986 under this part.

"STATE WORK INITIATIVES AGENCY

"SEC. 433. The Governor of each State shall designate, as the State work initiatives agency responsible for developing the State plan and administering the Fair Work Opportunities Program under this part, the State public assistance agency, the State employment services agency, or another agency of State government. Such designation shall be based on a determination that the agency so designated has extensive capacity for exercising overall direction of programs designed to meet the employment and training needs of eligible participants under this part in the State.

"STATE PLANS

"SEC. 434. (a) **SUBMISSION.**—In order to qualify for incentive grants under section 432(b)(2) and in order to receive an allocation under section 432(c) for any fiscal year, a State shall develop and submit to the Secretary a State plan in accordance with the requirements of this section.

"(b) **PROVISIONS.**—Each such State plan shall set forth—

"(1) a description of coordination arrangements with other Federal and State agencies, including the State educational agency;

"(2) a description of the services to be provided in programs under sections 436 and 437 and the methods and priorities to be used in the allocation of such services;

"(3) assurances that the State plan meets the criteria for coordination established in the Governor's coordination and special services plan pursuant to section 121(b)(1) of the Job Training Partnership Act;

"(4) assurances that the State will meet the matching requirements of section 432(d), and an identification of the State resources available to meet such requirements;

"(5) procedures for selecting service providers which take into account past performance in providing similar services, fiscal accountability, and ability to meet performance standards;

"(6) assurances that, if the State receives an allocation under section 432(b)(2) for excelling in terms of performance standards, the State will appropriately distribute an equitable portion thereof to any service provider whose actions were the basis for such allocation;

"(7) assurances that services provided are in addition to, and do not duplicate, services that are otherwise available from other Federal or State agencies on a nonreimbursable basis;

"(8) assurances that education, training, and work programs include private sector and local government involvement through administrative entities under section 4(2) of the Job Training Partnership Act, in planning and program design to assure that participants are trained for jobs that are likely to be available in the community;

"(9) assurances that community-based organizations (as defined in section 4(5) of the Job Training Partnership Act) are involved in planning and program design to facilitate outreach in the client community and in the delivery of services (meeting the conditions set forth in section 107(a) of the Job Training Partnership Act);

"(10) a description of the distribution of services within the State (A) identifying for each area within the State the resources to be made available for training, on-the-job training, and transitional employment opportunities, and (B) explaining the economic and demographic reasons for such distribution;

"(11) assurances that necessary supportive services will be available to participants, including appropriate day care for children of preschool age or other children while not in school and while not otherwise receiving care during such times as their parents will be participating in activities under this part;

"(12) a description of the methods by which the State will comply with the requirements of section 444; and

"(13) such other information and assurances as the Secretary may require in accordance with regulations.

"(c) **PUBLIC COMMENTS.**—Not later than 30 days before submission of the plan to the State job training coordinating council in accordance with subsection (d), the proposed State plan shall be published and made reasonably available to the general public through local news facilities and public announcements, in order to provide the opportunity for review and comments through such means as public hearings.

"(d) **REVIEW AND APPROVAL.**—The State work initiatives agency shall submit the State plan described in subsection (b)—

"(1) to the State job training coordinating council established pursuant to section 122 of the Job Training Partnership Act, for a period not to exceed 90 days, for review and comments prior to submission to the Governor;

"(2) to the Governor of the State for approval prior to the submission of the plan to the Secretary; and

"(3) to the Secretary for approval of the plan.

"(e) **NOTICE AND OPPORTUNITY FOR HEARING.**—The Secretary shall notify the State work initiatives agency within 45 days after submission of the State plan whether it has been approved or disapproved. Any notice of disapproval shall include a statement of the reasons for such disapproval. A State plan shall not be disapproved unless the State work initiatives agency has been afforded an opportunity for a hearing on the plan.

"ASSESSMENT AND FAMILY SUPPORT PLAN

"SEC. 435. (a) **INITIAL ASSESSMENT AND DEVELOPMENT OF FAMILY SUPPORT PLAN.**—The State work initiatives agency shall make an initial assessment of the educational, child care, and other supportive services needs, as well as the skills, prior work experience, and employability of each participant in the program under this part, including a review of the family circumstances and of the needs of the children as well as those of the adult caretaker. The assessment of the educational needs of each participant shall include testing of literacy and reading skills. On the basis of such assessment, the State work initiatives agency and the participating members of the family (or the adult caretaker relative in the family with respect to any such participant who is a child) shall negotiate a family support plan for the family. The family support plan shall set forth and describe all of the activities in which participants in the family will take part under the program, including the child care and other supportive services that will be provided to facilitate participation; and shall, to the maximum extent possible and consistent with this part, reflect the choices of such participants.

"(b) **AGENCY-CLIENT AGREEMENT.**—(1)(A) Following the initial assessment and the development of the family support plan with respect to any family under this section, the State work initiatives agency and the participating members of the family (or the adult caretaker relative in the family with respect to participants who are children) shall negotiate and enter into an agency-client agreement including—

"(i) a commitment by the participants (or adult caretaker relative) to participate in the program in accordance with the family support plan,

"(ii) a description in detail of the activities in which the participants will take part and the conditions and duration of such participation, and

"(iii) a description in detail of all of the activities, including child care and other supportive services, which the State will arrange and the services which the State will provide in the course of such participation.

"(B) Each participant (or adult caretaker relative) shall be given such assistance as may be required in reviewing and understanding the family support plan and his or her obligations and those of the agency as specified in the agency-client agreement. Prior to signing the agency-client agreement, each participant shall be afforded an opportunity, for a period of not to exceed 10 days, to review the proposed agreement, to request additional information concerning its terms and contents, and to renegotiate any appropriate provision of the agreement which he or she deems necessary.

"(2) Each participant shall be guaranteed an opportunity for a fair hearing before the State work initiatives agency in the event of any dispute involving the contents of the family support plan, the contents or signing of the agency-client agreement, the nature or extent of his or her participation in the program as specified therein, the availability of child care and other supportive services, or any other aspect of such participation which is provided for under this section (including any dispute involving the imposition of sanctions under section 402(h) of this Act and the participant's right to conciliation before any such sanction is imposed); and the agency-client agreement shall so provide. The agency-client agreement shall be signed by the participant (or adult caretaker relative) and the agency representative responsible for implementation of the agreement.

"(3) The State work initiatives agency shall assign to each participating family a member of the agency staff to provide case assistance services to the family; and the case assistant so assigned shall be responsible for—

"(A) obtaining or brokering, on behalf of the family, any other services which may be needed to assure the family's effective participation,

"(B) monitoring the progress of the participant, and

"(C) periodically reviewing and renegotiating the family support plan and the agency-client agreement as appropriate.

Amounts expended in providing case assistance services under this paragraph shall be considered to be expenditures for the proper and efficient administration of the State plan.

"COMPREHENSIVE EDUCATION, TRAINING, JOB, AND SUPPORT SERVICES

"SEC. 436. (a) COMPREHENSIVE SERVICES.—Comprehensive services to be offered to participants under this part shall include—

"(1) job search services, including (but not limited to)—

"(A) training in job seeking skills;

"(B) job search and job club activities;

"(C) job and career counseling;

"(D) testing and assessment;

"(E) labor market information; and

"(F) referral to employers;

"(2) education programs, including (but not limited to)—

"(A) basic and remedial education;

"(B) literacy training;

"(C) bilingual education for individuals with limited English proficiency;

"(D) high school or equivalent education (combined with training when appropriate) for individuals who lack a high school diploma; and

"(E) appropriate specialized advanced education;

"(3) training programs, including (but not limited to)—

"(A) job readiness activities to help prepare participants for employment;

"(B) institutional job skills training;

"(C) on-the-job training; and

"(D) work experience;

"(4) necessary support services, as required by subsection (c);

"(5) counseling, information, and referrals to help participants experiencing personal or family problems which may affect their ability to engage in work; and

"(6) job development, job placement, and follow-up services to assist participants in securing and retaining employment and advancement.

"(b) TRANSITIONAL EMPLOYMENT.—Comprehensive services may also include transitional employment, subject to the requirements of section 437.

"(c) **SUPPORT SERVICES.**—Eligible participants receiving any of the services described in paragraphs (1), (2), and (3) of subsection (a) or in subsection (b) shall be provided such related support services as are necessary to enable such individuals to participate therein. Related support services shall include transportation and child care assistance. Any individual who is the parent or other caretaker relative of any dependent child or incapacitated individual and whose family ceases to be eligible for family support supplements under the State plan under section 402 as of the close of any month (if at that time the family has earnings) shall continue to be entitled to reimbursement for the costs of any appropriate day care (subject to the applicable dollar limitations specified in section 402(g)(1)) which is determined by the State agency to be reasonably necessary for his or her employment, for a period of up to 12 months after the close of such month, under a sliding scale formula established by the State which shall be based on the family's ability to pay (and under which such applicable dollar limitations are appropriately reduced to reflect such ability).

"(d) **EDUCATION SERVICES.**—(1) Any participant lacking a high school diploma shall, before being required to participate in any other services or activities, be required to participate in a program which addresses the education needs identified in the participant's initial assessment, including high school or equivalent education designed specifically for participants who do not have a high school diploma, remedial education to achieve a basic literacy level, or instruction in English as a second language; and both the family support plan and the agency-client agreement shall so provide. Any other services or activities to which such a participant is assigned under the agreement may not be permitted to interfere with his or her participation in an appropriate education program under this paragraph. Any participant pursuing a high school or equivalent education shall not be required to participate in other services or activities.

"(2) Children in participating families who are not themselves participants in the program under this part shall be encouraged to take part in any suitable education or training programs available under the program authorized by this part; and the program must also provide to such children additional services specifically designed to help them stay in school (including financial incentives as appropriate), complete their high school education, and obtain marketable job skills. Activities in which such children participate may not, however, be permitted to interfere with their school attendance.

"(3) An individual who attends an accredited postsecondary institution (on not less than a half-time basis), as long as such individual is making satisfactory progress in a vocational or undergraduate education or training program consistent with the individual's employment goals, shall be deemed to be participating satisfactorily under this part without participating in any other program or activity.

"(e) **REPETITION OF PROGRAMS PROHIBITED.**—An individual who has completed participation in a program component described in paragraph (2) or (3) of subsection (a) shall not be required to participate again in the same component.

"(f) **WORK EXPERIENCE PROGRAMS.**—(1) Any State which chooses to do so may establish a work experience program in accordance with this subsection. The purpose of such programs is to provide marketable work experience and training for individuals who are not otherwise able to obtain employment, through a combination of work experience and vocational training or educational activities as part of a planned sequence set forth in the participant's family support plan. Such programs shall be designed to move participants into regular public or private employment. Such programs must be able demonstrably—

"(A) to provide marketable skills to participants without previous work experience,

"(B) to upgrade the existing skills of participants with limited previous work experience, or

"(C) to transform obsolete skills into marketable skills.

"(2) Work experience programs shall be limited to projects which serve a useful public purpose in fields such as health, social service, environmental protection or conservation, education, urban and rural development and redevelopment, welfare, recreation, public facilities, public safety, and day care. Priority with respect to the selection of agencies carrying out such projects shall be given to those agencies which offer child care or health care. To the extent possible, the prior training, experience, and skills of a recipient shall be used in making appropriate work experience assignments. Participants in a program under this subsection may not fill unfilled vacancies.

"(3) A State which elects to establish a work experience program under this subsection shall operate such program so that each participant, in conjunction with vo-

cational training or educational activities, performs unpaid work experience (for a total of not more than 30 hours a week) for a period not exceeding 3 months.

"(4) No participant shall be assigned to a position under this subsection unless—

"(A) the participant's initial assessment identifies lack of recent work experience as a barrier to immediate placement in regular public or private employment;

"(B) the participant is unable to be placed in work supplementation programs established pursuant to this title, or in unsubsidized employment;

"(C) the assignment is part of a planned sequence of activities, specified in both the family support plan and the agency-client agreement, which is designed to prepare the participant for regular public or private employment; and

"(D) the participant has not been employed during the preceding 6 months.

"(5) If at the conclusion of his or her participation in the work experience program, the individual has not become employed, a reassessment with respect to such individual shall be made and a modified family support plan developed. In no event shall any individual who has completed the activities described in this subsection be required to repeat such activities or be reassigned to perform other unpaid work experience, unless—

"(A) the individual requests to repeat such activities or be reassigned to perform other unpaid work experience, and such request is reflected in a modified family support plan; or

"(B) such extension would lead to employment in an on-the-job training position.

Any extension under this paragraph shall be only for the time period described in paragraph (3).

"(6) The State shall provide coordination between a work experience program operated pursuant to this subsection, any program of job search, and the other work-related activities under this part so as to ensure that job placement will have priority over participation in the work experience program.

"(7) Participants in such programs may not be required, without their consent, to travel unreasonable distances from their homes or remain away from their homes overnight.

"TRANSITIONAL EMPLOYMENT

"SEC. 437. (a) RESTRICTIONS ON TRANSITIONAL EMPLOYMENT.—Transitional employment provided under this section includes only employment (for wages) which shall be—

"(1) with a public or nonprofit private employer;

"(2) for a period not to exceed 6 months, unless at the end of such 6-month period additional transitional employment is determined to be necessary in a review and modification of the family support plan; and

"(3) partially or wholly subsidized under this part.

"(b) ELIGIBILITY FOR TRANSITIONAL EMPLOYMENT.—An individual may not be provided with transitional employment under this section unless such transitional employment is part of the family support plan and the individual—

"(1) has been a participant for at least 6 months in comprehensive services (as described in section 436), including job search, or such longer period as may be required for the participant to achieve substantial progress in the education component of such services; and

"(2) has been unable to secure unsubsidized employment.

"(c) PRIORITIES.—In providing transitional employment for such individuals, priority shall be given to transitional employment which—

"(1) provides services to other eligible participants, such as child care and transportation; or

"(2) is likely to lead to unsubsidized employment, directly or through on-the-job training.

"PERFORMANCE STANDARDS

"SEC. 438. (a) CRITERIA FOR ESTABLISHING STANDARDS.—For the purpose of evaluating the success of programs established under this part and determining eligibility for additional allocations under section 432(b)(2), the Secretary of Labor, on the basis of recommendations received pursuant to subsection (b) of this section, shall establish performance standards. Such performance standards—

"(1) shall be measured by outcome and not by levels of activity or participation, and shall be based on the degree of success which may reasonably be ex-

pected of States, in carrying out work-related programs under this part which help such individuals achieve self-sufficiency and in reducing welfare costs;

"(2) shall take into account job placement rates, wages, job retention, reduced levels of aid under the State plan, improvements in the educational levels of participants, and the extent to which participants are able to obtain jobs providing health benefits or child care;

"(3) shall encourage States to give appropriate recognition to the greater difficulties in achieving self-sufficiency which face individuals who have greater barriers to employment; and

"(4) shall include guidelines permitting appropriate variations to take account of the differing conditions (including unemployment rates) which may exist in different States.

"(b) PROCEDURES FOR ESTABLISHING STANDARDS.—(1) The Secretary shall establish an advisory committee to develop proposed performance standards meeting the requirements of subsection (a). The advisory committee shall include representatives of State agencies administering programs under this part, State job training coordinating councils, labor organizations, business organizations, education agencies, community based organizations, and organizations representing eligible participants.

"(2) The proposed performance standards developed by such advisory committee shall be submitted to the Office of Technology Assessment, for a period not to exceed 30 days, for review and comment prior to their submission to the Secretary. The comments of the Office of Technology Assessment concerning the proposed performance standards shall be included with the documents submitted to the Secretary by the advisory committee.

"(3) The Secretary may collect preliminary program information from the States to assist in the development of performance standards. The Secretary shall have access to information developed pursuant to section 104(c) of the Family Welfare Reform Act of 1987 for such purpose.

"(c) PRELIMINARY AND FINAL STANDARDS.—Preliminary guidelines intended to facilitate compliance with performance standards referred to in subsection (a) shall be established within 12 months after the date of the enactment of the Family Welfare Reform Act of 1987. Final standards shall be established, prescribed, and published no later than 24 months after enactment of such Act.

"(d) STATE-BY-STATE VARIATION.—The performance standards developed and prescribed under this section shall be varied by the Governor of a State, to the extent permitted under subsection (a), to the extent necessary to take account of specific economic, geographic, and demographic factors in the State, the characteristics of the population to be served, and the types of services to be provided.

"(e) TARGETING OF SERVICES.—Prior to the development of performance standards under this section, each State should take immediate action to fulfill the purposes of this part regarding the targeting of services toward those individuals who are most difficult to place in unsubsidized employment on the basis of—

"(1) work experience,

"(2) duration of welfare dependency, and

"(3) educational attainments.

"(f) EVALUATIONS.—(1) The Secretary shall conduct evaluations of each State's progress toward meeting the performance standards developed under this section. Evaluations shall be conducted at the completion of each fiscal year for which a State may be held accountable for such standards.

"(2) If a State fails to meet the performance standards at the conclusion of any such evaluation period, the Secretary shall provide such necessary technical assistance to the State as will facilitate meeting such standards. The Secretary shall review the State's compliance within a reasonable period after providing such assistance (as determined by the Secretary and the Governor), except that such period may not exceed 6 months.

"(g) INCENTIVE ALLOCATIONS.—(1) In the case of any State which meets or exceeds the performance standards, such State shall be eligible for incentive allocations available under section 432(b)(2).

"(2) The amount of such additional allocation shall be based on the extent to which such State meets or exceeds the performance standards under performance categories established by this part. The Secretary shall determine the amounts of such incentive awards.

"(h) REVIEW AND REVISION OF STANDARDS.—The Secretary shall periodically (but not more frequently than once each three years) review the performance standards developed under this section and submit recommendations for changes to the advisory

ry committee and the Office of Technology Assessment for review and comment prior to prescribing any revisions to such standards.

"GENERAL REQUIREMENTS

"SEC. 439. (a) REFUSAL TO PARTICIPATE.—Prior to a determination pursuant to section 416(h) that an individual has refused to participate under section 416 of this part without good cause, the State work initiatives agency shall provide to such individual a notice of intent to make such determination. In no event may a final determination be made in a first such instance unless such individual has been offered an opportunity to reach a conciliatory resolution, including the opportunity to discuss reasons for the lack of cooperation and to propose options with the goal of continuing in the program under this part. The failure of a State to provide services to an individual in accordance with a family support plan developed under section 435 shall constitute one of the grounds for good cause.

"(b) BENEFITS AND LABOR STANDARDS.—The provisions of sections 142 and 143 (relating to benefit requirements and labor standards) of the Job Training Partnership Act shall apply to all program activities under section 416 and under this part and any work program carried out under this Act.

"(c) SUITABILITY OF WORK ASSIGNMENTS.—(1)(A) Each assignment of a participant to any program activity under section 416 or under this part, or under any work program carried out under this Act, shall be consistent with the physical capacity, skills, experience, health, family responsibilities, and place of residence of such participant. For the purposes of this part and section 416, or any work program carried out under this Act, part-time participation shall in no event exceed 20 hours per week; and no part-time participant shall be required to participate in more than one program or activity if travel to and participation therein would exceed such time.

"(B) Before assigning a participant to any activity under section 416 or under this part, or under any work program carried out under this Act, the State shall assure that—

"(i) appropriate standards for health, safety, and other conditions are applicable to participation in such activity;

"(ii) the conditions of participation in such activity are reasonable, taking into account the geographic region, the residence of the participant, and the proficiency of the participant, and the child care and other supportive service needs of the participant; and

"(iii) the participant will not be required, without his or her consent, to travel an unreasonable distance from his or her home or remain away from such home overnight.

"(2) The State may not require a participant in the program under this part or under section 416 or under any program under this Act to accept a position under the program (as work supplementation or otherwise) if accepting the position would result in the receipt of wages paid at a rate below the Federal minimum wage established by the Fair Labor Standards Act of 1938. The State shall establish a program whereby, to prevent any loss of income to the participant as a result of the acceptance of such job, the State shall provide a supplement at a level which, when combined with wages from such job, equals the participant's benefits level while participating in the program for a period of 12 months.

"(d) MANDATORY WORKFARE PROHIBITED.—Funds available under this part will not be used, directly or indirectly, to support any mandatory workfare program. As used in this subsection, the term 'mandatory workfare program' means any program under which recipients of welfare or other public assistance are to be required to perform work in exchange for such assistance, but are not to be provided wages and worker benefits in paid employment.

"(e) NONDISCRIMINATION PROVISIONS.—(1) The provisions of section 167 (relating to nondiscrimination) of the Job Training Partnership Act shall apply to all program activities under section 416 and under this part and any work program carried out under this Act.

"(2) Individuals assigned to any job or work program under this Act shall not be discriminated against on the basis of race, sex, national origin, religion, age, or handicapping condition, and such individuals shall have such rights as are available under any Federal, State, or local law prohibiting discrimination in employment.

"USE OF EXISTING RESOURCES

"SEC. 440. (a) REIMBURSEMENT PERMITTED.—In making use of the programs of other State or local agencies (public or private), a State agency may reimburse such

agencies for services rendered to individuals under this part to the extent that such services and opportunities are not otherwise available on a nonreimbursable basis.

"(b) **USE OF SERVICES AND INFORMATION FROM PRIVATE INDUSTRY COUNCILS.**—(1) The State work initiatives agency shall utilize the services of each private industry council (as established under the Job Training Partnership Act) to identify and provide advice on the types of jobs available or likely to become available in the service delivery area of such council.

"(2) The State work initiatives agency shall not conduct, in any area, institutional training under any program established pursuant to section 436(a) of any type which is not related to jobs of the type which are or are likely to become available in such area as determined after taking into account information provided by the private industry council for such area.

"(c) In carrying out services and activities under this part, the State work initiatives agency may enter into appropriate contracts and other arrangements with public and private agencies and organizations for the provision or conduct of any services or activities under this part.

"REPORTS, RECORDKEEPING, AND INVESTIGATIONS

"SEC. 441. (a) **RECORDS AND REPORTS.**—(1) Each State work initiatives agency shall keep records that are sufficient to permit the preparation of reports required by this part and to permit the tracing of funds to a level of expenditure adequate to insure that the funds have not been spent unlawfully.

"(2) Each State work initiatives agency shall maintain such records and submit such reports, in such form and containing such information, as the Secretary requires regarding the performance of its programs. Such records and reports shall be submitted to the Secretary, but shall not be required to be submitted more than once each quarter unless specifically requested by the Congress or a committee thereof.

"(b) **INVESTIGATIONS.**—(1)(A) In order to evaluate compliance with the provisions of this part, the Secretary shall conduct in several States, in each fiscal year, investigations of the use of funds received by State work initiatives agencies under this Act.

"(B) In order to insure compliance with the provisions of this part, the Comptroller General of the United States may conduct investigations of the use of funds received under this part by any State agency.

"(2) In conducting any investigation under this part, the Secretary or the Comptroller General of the United States may not request the compilation of any new information not readily available to such State agency.

"(c) **STATE REPORTS.**—Each State work initiatives agency shall make such reports concerning its operations and expenditures as shall be prescribed by the Secretary.

"(d) **REVIEW OF COMPLAINTS.**—(1) Whenever the Secretary receives a complaint from any interested person which alleges, or whenever the Secretary has reason to believe, that a State work initiatives agency receiving financial assistance under this part is failing to comply with the requirements of this part or the terms of the State plan, the Secretary shall investigate the matter.

"(2) If, after such investigation, the Secretary determines that there is substantial evidence to support such allegation or belief that such a State work initiatives agency is failing to comply with such requirements, the Secretary shall, after due notice and opportunity for a hearing to such State work initiatives agency, determine whether such allegation or belief is true.

"(3) The Secretary shall conduct such investigation, and make the final determination required by paragraph (2) regarding the truth of the allegation or belief involved, not later than 120 days after receiving the complaint.

"NONCOMPLIANCE AND CORRECTIVE ACTIONS

"SEC. 442. (a) **SANCTIONS FOR NONCOMPLIANCE.**—(1) If the Secretary of Labor concludes that any State work initiatives agency receiving funds under this part, or if the Secretary of Health and Human Services concludes that any State public assistance agency under section 416 or any other provision of this Act is failing to comply with any provision of this Act, such Secretary shall have authority to terminate or suspend financial assistance in whole or in part and to order such sanctions or corrective actions as appropriate, including the repayment of misspent funds from sources other than funds under this part and the withholding of future funding, if prior notice and an opportunity for a hearing have been given to the State.

"(2) Whenever such Secretary orders termination or suspension of financial assistance to a subgrantee or subcontractor (including any operator under a nonfinancial

agreement), such Secretary shall have authority to take whatever action is necessary to enforce such order, including action directly against the subgrantee or contractor (and including requiring the primary recipient to take legal action) to reclaim misspent funds or to otherwise protect the integrity of the funds or ensure the proper operation of the program.

"(b) REMEDIES NOT EXCLUSIVE.—The existence of remedies under this Act shall not preclude any person, who alleges that an action of a State agency violates any of the provisions of this part, from instituting a civil action or pursuing any other remedies authorized under Federal, State, or local law.

"DEMONSTRATION PROGRAMS

"SEC. 443. (a) AUTHORIZED USES OF FUNDS.—Funds available to the Secretary under section 432(b)(1) and (2) may be made available to States, for use in conjunction with other resources, for such purposes as—

"(1) demonstrations to test the effectiveness of arrangements under which private organizations will operate supported-work programs to place participants in full-time jobs in the private sector, with the Federal subsidy of wages not to exceed 9 months, through performance-based contracts conditioned upon retention in such private sector employment after the Federal subsidy ends;

"(2) demonstrating more effective methods of providing coordination and services to ensure long-term family self-sufficiency through community-based comprehensive family support services involving a partnership between the State work initiatives agency and community-based organizations having experience and demonstrated effectiveness in providing services; and

"(3) financial assistance to nonprofit community development corporations to demonstrate their effectiveness in creating employment opportunities for recipients and other low-income individuals.

"(b) STATE DEMONSTRATION PROGRAMS.—In order to encourage States to develop innovative education and training programs for children receiving aid under State plans approved under section 402, any State may establish and conduct one or more demonstration projects, targeted to such children, designed to test financial incentives and interdisciplinary approaches to reducing school dropouts, encouraging skill development, and avoiding welfare dependence; and the Secretary may make grants to States to assist in financing such projects. Demonstration projects under this paragraph shall meet such conditions and requirements as the Secretary shall prescribe, and no such project shall be conducted for a period of less than one year or more than 5 years.

"CHILD CARE REQUIREMENTS

"SEC. 444. (a) ASSESSMENT.—Prior to or in conjunction with the expenditure of funds available under section 432(a)(2) for child care for participants in the program, each State shall conduct an assessment of the adequacy and appropriateness of child care resources in the State or particular communities in the State to meet the child care needs of participants in the program and those of other families receiving family support supplements. Such assessments shall specifically address the adequacy of resources available for children in different age groups, including infants, toddlers, preschools, and school-age children.

"(b) COORDINATION.—In order to encourage and facilitate coordination in the delivery of child care services, each State may provide that funds to participants for child care services under section 402(g) may be available to supplement early childhood development programs within a State, including Head Start programs, preschool programs funded under chapter one of the Education Consolidation and Improvement Act of 1981, schools and nonprofit child care programs (including community based organizations receiving State or local funds designated for preschool programs for handicapped children), so as to extend these programs to provide full day, full year services to children in participating families.

"(c) TRAINING OF CAREGIVERS.—Each State shall institute a program to provide grants for training child care personnel in areas such as child growth and development, communication with families, health and safety, instruction, and administration and management. Child care personnel eligible for such training may include employees of child care centers as well as family day care providers and others meeting the standards enumerated in section 402(g)(1)(B) of this Act (as amended by title II of the Family Welfare Reform Act of 1987).

"(d) CHILD CARE SUPPLY.—Any State may use funds provided under this part to institute a program to provide grants to local nonprofit child care programs to establish or renovate child care centers and family day care homes which meet the

standards enumerated in section 402(g)(1)(B) of this Act (as amended by title II of the Family Welfare Reform Act of 1987) and which will be used to serve participants in the other activities described in section 436, including on-site or nearby child care centers operated as part of the education, training, or employment programs, as well as other child care centers which will be used by program participants. Such grants may also be made available to local child care agencies (such as resource and referral programs) to recruit, train, and provide other essential supports to new family day care providers. These grants may also be used to assist centers and family day care providers to come into compliance with applicable health and safety standards.

"(e) PROHIBITION OF RELAXATION OF CHILD CARE LICENSING REQUIREMENTS.—No State shall reduce the level of standards applicable to child care provided within the State on the date of enactment of the Family Welfare Reform Act of 1987."

SEC. 102. RELATED SUBSTANTIVE AMENDMENTS.

(a) FEDERAL MATCHING RATES.—(1) Section 403(a) of the Social Security Act is amended by inserting after paragraph (3) the following new paragraph:

"(4) in the case of any State, an amount equal to 65 percent of the total amount expended during such quarter (other than administrative expenditures) for the programs established pursuant to section 416 and part C; and"

(2) Section 403(a)(3) of such Act is amended—

(A) by striking out "and" after the comma at the end of subparagraph (B);

(B) by redesignating subparagraph (C) as subparagraph (D); and

(C) by inserting after subparagraph (B) the following new subparagraph:

"(C) one-half of so much of such expenditures as are incurred in connection with the administration of the programs established under section 416 and part C, and"

(b) DEMONSTRATION AUTHORITY: PROJECTS TO TEST THE EFFECT OF EARLY CHILDHOOD DEVELOPMENT PROGRAMS, AND TO TEST THE ELIMINATION OF THE 100-HOUR RULE UNDER THE AFDE-UP PROGRAM.—Section 1115 of such Act is amended—

(1) by inserting "(1)" before "In the case of" in subsection (a);

(2) by striking out "(1) the Secretary" and "(2) costs" in subsection (a) and inserting in lieu thereof "(A) the Secretary" and "(B) costs", respectively;

(3) by striking out subsection (b);

(4) by redesignating subsection (c) as paragraph (2) of subsection (a), and in such subsection as so redesignated by striking out "subsection (a)", "(1)", "(2)", and "(3)" and inserting in lieu thereof "paragraph (1)", "(A)", "(B)", and "(C)", respectively; and

(5) by adding at the end thereof the following new subsection:

"(b) DEMONSTRATION PROGRAMS.—(1)(A) In order to test the effect of in-home early childhood development programs and preschool center-based development programs (emphasizing the use of volunteers and including academic credit for student volunteers) on families receiving aid under State plans approved under section 402 and participating in the education, training, and work program under section 416, up to 10 States may undertake and carry out demonstration projects utilizing such development programs to enhance the cognitive skills and linguistic ability of children under the age of 5, to improve the communications skills of such children, and to develop their ability to read, write, and speak the English language effectively. Such projects may include parents along with their eligible children in family-centered education programs that assist children directly in achieving the goals stated in the preceding sentence and also help parents contribute to the proper development and education of their young children. Demonstration projects under this paragraph shall meet such conditions and requirements as the Secretary shall prescribe, and no such project shall be conducted for a period of more than 3 years.

"(B) The Secretary shall consider all applications received from States desiring to conduct demonstration projects under this paragraph, shall approve up to 10 applications involving projects which appear likely to contribute significantly to the achievement of the purpose of this paragraph, and shall make grants to the States whose applications are approved to assist them in carrying out such projects."

"(C) The Secretary shall submit to the Congress with respect to each project undertaken by a State under this paragraph, after such project has been carried out for one year and again when such project is completed, a detailed evaluation of the project and of its contribution to the achievement of the purpose of this paragraph."

"(2)(A) In order to permit States to test whether (and the extent to which) eliminating the 100-hour rule under section 407, and requiring parents under that section to accept any reasonable job offers while preserving the eligibility of their families for aid under the applicable State plan approved under section 402, would effec-

tively encourage such parents to enter the permanent work force and thereby significantly reduce program costs, up to 5 States and localities may undertake and carry out demonstration projects under which—

“(i) each parent receiving aid pursuant to section 407 is required to accept any reasonable full- or part-time job which is offered to him or her, without regard to the amount of the parent’s resulting earnings as compared to the level of the family’s aid under the applicable State plan, and

“(ii) the family’s eligibility under the plan is preserved notwithstanding the parent’s resulting earnings, so long as such earnings (after the application of section 402(a)(8)) do not exceed the applicable State standard of need, without regard to the 100-hour rule or any other durational standard that might be applied in defining unemployment for purposes of determining such eligibility.

“(B) The Secretary shall consider all applications received from States desiring to conduct demonstration projects under this paragraph, shall approve up to 5 applications involving projects which appear likely to contribute significantly to the achievement of the purpose of this paragraph, and shall make grants to the States whose applications are approved to assist them in carrying out such projects.

“(C) Each demonstration project approved under this paragraph shall provide for the payment of aid under the applicable State plan, as though section 407 had been modified to reflect the provisions of clauses (i) and (ii) of subparagraph (A) but shall otherwise be carried out in accordance with all of the requirements and conditions of section 407 (and any related requirements and conditions under part A of title IV); and each such project shall meet such other requirements and conditions as the Secretary shall prescribe.

“(3)(A) Any demonstration project undertaken pursuant to this subsection—

“(i) must be designed to improve the financial well-being of families with children or otherwise improve the operation of the program or programs involved; and

“(ii) may not permit modifications in any program which would have the effect of disadvantaging children in need.

“(B) There are authorized to be appropriated such sums as may be necessary to enable the Secretary to make grants with respect to the demonstration projects which are provided for under any of the preceding paragraphs of this subsection (and for which an authorization in specific dollar amounts is not included in the paragraph involved).”

SEC. 103. TECHNICAL AND CONFORMING AMENDMENTS.

(a) IN PART A OF TITLE IV.—(1) Section 402(a)(35) of such Act is repealed.

(2) Section 403(a)(3) of such Act is amended—

(A) by striking out all of subparagraph (D) (as redesignated by section 102(a)(2) of this Act) which follows “such expenditures” and inserting in lieu thereof a comma; and

(B) by striking out all that follows “section 2002(a) of this Act” in the matter following such subparagraph and inserting in lieu thereof “other than services furnished under section 416 or under section 402(g); and”.

(3) Section 403(c) of such Act is repealed.

(4) Section 403(d) of such Act is repealed.

(5) Section 407(b)(2)(A) of such Act is amended by striking out “will be certified” and all that follows down through “within 30 days” and inserting in lieu thereof “will participate or apply for participation in the program established under section 416 within 30 days”.

(6) Section 407(b)(2)(C)(i) of such Act is amended by striking out “, unless exempt” and all that follows down through “is not registered” and inserting in lieu thereof “is not currently participating in the program established under section 416, unless such parent is exempt under section 416(c)(3).”

(7) Section 407(c) of such Act is amended by striking out “to certify such parent” and all that follows and inserting in lieu thereof “to participate in the program established under section 416.”

(8) Section 407(d)(1) of such Act is amended by striking out “under section 409” and all that follows and inserting in lieu thereof “under section 416(j).”

(9) Section 407(e) of such Act is repealed.

(10) Section 409 of such Act is repealed.

(11) Section 414 of such Act is repealed.

(b) IN OTHER PROVISIONS.—(1) Section 1108(b) of such Act is amended by striking out “section 402(a)(19)” and inserting in lieu thereof “section 416”.

(2) Section 1902(a)(10)(A)(i)(I) of such Act is amended by striking out “section 414(g)” and inserting in lieu thereof “section 416(i)(6)”.

(c) **JOB TRAINING PARTNERSHIP ACT.**—Section 102(a)(2) of the Job Training Partnership Act is amended by striking out “and” and inserting before the period a comma and the following: “and the State public assistance agency for administering part A of title IV of the Social Security Act”.

SEC. 104. EFFECTIVE DATE.

(a) **AMENDMENTS TO SECTIONS 402 AND 1115.**—The amendments made by this title (other than the amendments to part C of title IV of the Social Security Act) shall become effective October 1, 1989; except that—

(1) if any State theretofore makes the changes in its State plan approved under section 402 of the Social Security Act which are required in order to carry out such amendments, and formally notifies the Secretary of Health and Human Services of its desire to become subject to such amendments as of the first day of any calendar quarter beginning on or after the date on which the proposed regulations of the Secretary of Health and Human Services are published under section 416 of such Act and before October 1, 1989, such amendments shall become effective with respect to that State as of such first day; and

(2) section 1115(b)(3) of the Social Security Act (as added by section 102(b) of this Act) shall become effective October 1, 1987.

(b) **TRANSITION PROVISIONS FOR TITLE IV-C AMENDMENTS.**—(1) The Secretary of Labor, from funds appropriated for fiscal years 1988 and 1989 to carry out part C of title IV of the Social Security Act, is authorized to provide financial assistance under such part C (as amended by this Act), in the same manner as such assistance was provided under such part C as in effect on the day before the enactment of this Act, until September 30, 1989.

(2) Notwithstanding any other provision of law, States may expend funds received under part C of title IV of the Social Security Act during fiscal years 1988 and 1989, in order to conduct any activity deemed necessary to provide for an orderly transition to the operation, as of October 1, 1989, of programs under such part C.

(3) The provisions of this Act shall not affect administrative or judicial proceedings pending on the date of enactment of this Act.

(4) By July 1, 1988, the Secretary of Labor shall have published in the Federal Register final regulations governing the transition period ending September 30, 1989 (as described in this subsection); and by April 1, 1989, the Secretary of Labor shall have published in the Federal Register final regulations governing the establishment of the Fair Work Opportunities Program under part C of title IV of the Social Security Act.

(5) Funds for carrying out part C of title IV of the Social Security Act for fiscal year 1988 allocated to any State which were not obligated prior to the end of such fiscal year, shall remain available for obligation during fiscal year 1989. No reduction shall be made in the allocation for any State from appropriations to carry out such part C for fiscal year 1989 on account of the carryover of such funds from fiscal year 1988 to fiscal year 1989.

(c) **INITIAL STATE EVALUATIONS.**—(1) With the objective of—

(A) providing an in-depth assessment of the welfare population in each State, so as to furnish an accurate picture on which to base estimates of future demands for welfare services in conducting the program under this part and to improve the efficiency of targeting and service allocation under such program,

(B) assuring that training for welfare recipients under such program will be realistically geared to labor market demands and that the program will produce individuals with marketable skills, while avoiding duplication and redundancy in the delivery of services, and

(C) otherwise assuring that States will have the information needed as a practical matter to carry out the purposes of this part,

each State shall undertake and carry out an evaluation of its welfare population demographics within the 6-month period beginning on the date of the enactment of this Act. Such evaluation shall be designed, undertaken, and carried out in each State by an agency designated by the Governor of that State.

(2) In carrying out the evaluation under subsection (a) the State shall give particular attention to the current and anticipated demands of the labor market or markets within the State, the types of training which are needed to meet those demands, and any changes in the current service delivery systems which may be needed to satisfy the requirements of this part.

(3) The evaluation shall be structured so as to produce accurate and usable information (separately stated for long-term, medium-term, and short-term recipients in each category) on the age, family status, educational and literacy levels, and work experience of the individuals and families within the welfare population in the

State, including the actual numbers of such individuals and families in each such category.

(4) The Secretary of Labor shall provide each State with such technical assistance and data as it may need in order to carry out its evaluation under subsection (a); and each State shall transmit its evaluation to the Secretary of Labor by the close of the 6-month period specified in that subsection. The Secretary of Labor shall transmit a copy of such evaluation to the advisory committee established under section 438(b)(1) of the Social Security Act and to the Office of Technology Assessment for use in the preparation and review of performance standards.

(5) The Secretary of Labor shall pay to each State the sum of \$100,000 to assist that State in designing and carrying out its evaluation under this subsection; and of the total amount available to the Secretary for fiscal year 1988 under section 432(b)(1) of title IV-C (as amended by this Act) the sum of \$5,200,000 shall be available only for this purpose.

(6) As used in this subsection, the term "welfare population" with respect to any State means collectively all individuals in such State who are or could become recipients of family support supplements under title IV, part A, of the Social Security Act.

In section 1(b) of the bill, strike out that part of the table of contents pertaining to title I and insert the following:

TITLE I—FAIR WORK OPPORTUNITIES PROGRAM

Sec. 101. Establishment of Fair Work Opportunities Program.

Sec. 102. Related substantive amendments.

Sec. 103. Technical and conforming amendments.

Sec. 104. Effective date.

COMMITTEE ACTION

H.R. 1720 was referred to the Committee on Education and Labor (jointly with the Committee on Ways and Means) for consideration of such provisions of title I of the bill as fall within its jurisdiction, on March 19, 1987. The Chairman of the Committee on Education and Labor, Augustus F. Hawkins, introduced a welfare reform initiative, H.R. 30, the Fair Work Opportunities Act of 1987, earlier in the session on January 6, 1987. H.R. 30 amends Title IV-C of the Social Security Act and makes substantial improvements to the current education, training, and work opportunities for welfare recipients.

The Committee held 3 days of hearings (April 29 and 30, May 5) on H.R. 30, H.R. 1720, and other bills related to welfare reform pending before the Committee.

The Committee heard testimony from public and private witnesses, which included representatives from the welfare reform coalition; federal, State, and local governments; the business community; labor groups; national associations; and researchers and specialists in the areas of education, employment and training as well as experts in adult literacy, poverty, and child care and development. In addition, the Secretary of Labor testified on his concerns about the present welfare system and the serious need for employment and training opportunities for welfare recipients.

Governor Bill Clinton of Arkansas testified during the Committee's hearing on welfare reform as Chairman of the National Governors' Association. He cited the policy position on welfare reform adopted by the Governors in February 1987 which would establish a system primarily comprised of education, training, and job opportunities, with the addition of an income assistance component. He stressed the Governors' concerns about the complexities involved in turning "what is now an income maintenance system into a system of educational and training opportunities," as well as concern that

provisions are made for "an array of well-funded services designed to help people open the door to private unsubsidized employment."

California State Senator Diane Watson shared the experience of the recently enacted California State welfare initiative, Greater Avenues for Independence (GAIN) Program. She stressed the critical importance of including an adequate educational assessment for welfare recipients: "Education should be viewed as an investment in people . . . [Its] value should be acknowledged. This means more than remedial education, which should be the basis for further education and training, including postsecondary education.

Testifying on the problem of long-term dependency, Judith Gueron, President of the Manpower Demonstration Research Corporation (MDRC) discussed the findings of their 5 year, multi-state evaluations of State work/welfare initiatives under the Work Incentive Program (WIN) demonstration authorization. She explained that MDRC's preliminary findings strongly suggest that States should offer more intensive service in order to move more disadvantaged recipients into unsubsidized employment.

Further testimony about the need for intensive services included a strong focus on the importance of adequate child care for individuals participating in welfare work programs. The recent report of the General Accounting Office (GAO) on work and welfare noted that 60 percent of its AFDC work program respondents cited no available child care as the factor preventing their participation. Underscoring the need for child care further is the fact that nearly 60 percent of all AFDC families have children under age 6. Marian Wright Edelman, the President of the Children's Defense Fund, testified that, despite the acute need for child care, work programs only spend 6.4 percent of their total program's median budget on this cost-intensive service.

Prior to and in preparation for the welfare reform hearings, the Chairman of the Full Committee sponsored a work and welfare roundtable in March 1987 attended, together with Committee staff, by a broad cross-section of interested groups—including representatives from the National Governors Association; the American Public Welfare Association; the National Association of Counties; the National League of Cities; the National Alliance of Business; 70001, Ltd.—the Youth Employment Company; AFL-CIO; the American Federation of Federal State, County and Municipal Employees (AFSCME); GAO; MDRC; community-based organizations; as well as representatives from the welfare reform coalition (National Urban League; Children's Defense Fund; Wider Opportunities for Women, etc.).

On July 15, by voice vote, the Committee on Education and Labor ordered favorably reported title I of H.R. 1720, as amended, during mark-up session on the legislation.

BACKGROUND AND NEED FOR LEGISLATION

America's increasing alarm about the long-term poor and their children has focused on reforming our nation's principal welfare program, the Aid to Families with Dependent Children (AFDC) program under title IV of the Social Security Act. Many criticisms of the existing AFDC system have emerged including charges that it

is cumbersome, provides disincentives to recipients to obtain paid work, lacks adequate resources and uniformity of benefit levels, penalizes two-parent families and encourages splitting of the family unit, provides no balance of mutual obligation on the parts of the recipient and the State, lacks provisions for adequate supportive services (especially child care), and robs the recipients of basic human dignity by encouraging dependency instead of self-sufficiency and fulfillment of human potential.

The AFDC benefit structure, since it was amended in the Omnibus Budget Reconciliation Act in 1981, has indeed been a factor in creating disincentives for recipients to engage in paid employment. In fact, the share of AFDC recipients who work at paid jobs has fallen from 14.1 percent in 1979 to 5.3 percent in 1983. When a welfare recipient obtains paid employment, the AFDC program provides less supplementation to low-income earners now than it did a decade ago. Further, even among those who work their way off AFDC, almost one-third are still poor. In 1983, despite year-round, full-time work by at least one parent, 2.5 million children were still poor. Approximately one of every four children in this nation are poor. This rate fell from 27% to 14% in the 1960's, but has soared to an intolerable 25% in the past five years. For black children, the rate is approximately 47%.

A heightened awareness of problems such as disincentives, ineffectiveness, long-term dependency, rise of children in poverty, and the cycle of poverty for AFDC families has pervaded the nation's consciousness and bolstered the urgency for comprehensive welfare reform.

Governor Bill Clinton of Arkansas, speaking as Chairman of the National Governors Association, stated that although the statistics are discouraging and the task is monumental, we must "develop an investment strategy for our most valuable asset, our people." He further asserted that the Governors believe that we can and must "provide [a] genuine opportunity for people to reach maximum self-sufficiency that we all agree should be at the heart of our welfare system."

In his State of the Union address, President Reagan said that now ". . . is the time to reform this out-moded social dinosaur and finally break the poverty trap." He called for Congress to work with him to "see how many can be freed from the dependency of welfare and made self-supporting, which the great majority of welfare recipients want more than anything else."

Secretary of Labor William E. Brock testified before our Committee that he was ". . . convinced that the problem needs addressing, in a variety of ways, now." He urged Congress to "build on the need for welfare reform and not lose the opportunity to achieve truly meaningful reform."

EDUCATION AND LABOR COMMITTEE'S LONG-TERM CONCERN FOR WELFARE RECIPIENTS

The commitment of the Education and Labor Committee to meeting the education, employment, and training needs of public assistance recipients was firmly established as far back as 1964, when the Committee devoted enormous time and resources to develop-

ment of the Economic Opportunity Act, (P.L. 88-452). After 20 days of hearings, 112 witnesses, and seven days of executive session meetings, the Committee reported a comprehensive bill designed to attack virtually all causes of poverty. A new Federal agency—the Office of Economic Opportunity—was established to coordinate the antipoverty effort. Education, employment, and training were emphasized throughout the new law, which provided work and training opportunities for in-school and drop-out youth (including the Job Corps), employment programs for low-income young adults, work-study opportunities for low-income college students, and adult basic education.

Title V of the Economic Opportunity Act authorized Work Experience Programs for heads of households who could not support their families. The Education and Labor Committee report on the legislation stated that the Committee expected four results from this new program: expansion of Aid to Families with Dependent Children (AFDC) benefits to families with unemployed parents in more states; extension of work and training opportunities to more welfare families; training for welfare mothers; and work and training opportunities for other needy persons, such as general assistance recipients. The report said, "It is expected that programs combining constructive work and training through public assistance channels will serve as an effective device for reaching more of the unskilled unemployed and thereby preserving their basic skills and initiatives." The Committee intended this program to work in coordination with the Manpower Development and Training Act (MDTA), another program within the Committee's jurisdiction. During the program's operation, between 1965 and 1968, about 70 percent of Work Experience Program participants were welfare recipients.

Eventually, the Work Experience Program was replaced by the Work Incentive (WIN) Program (Title IV-C of the Social Security Act), which was specifically placed under the Education and Labor Committee's sole jurisdiction in 1975 under the Rules of the House of Representatives.

In addition to the employment and training programs contained in the original Economic Opportunity Act, the law also established the Community Action Program, to be administered by the Office of Economic Opportunity (OEO). This program was intended to marshal all resources available from public and private sources and focus them on the problems of poor people in local communities. Community Action Agencies have now been in operation for more than 20 years, and have assisted literally millions of low-income people with problems related to poverty and welfare dependency.

While enacting employment and training programs for the poor as part of the Economic Opportunity Act in 1964, the Committee on Education and Labor also approved amendments to the MDTA, refocusing those programs more specifically on low-income individuals and public assistance recipients. The Committee subsequently reported legislation, consolidating all employment-related programs for the disadvantaged, which was finally enacted as the Comprehensive Employment and Training Act of 1973 (CETA). During FY 1975 through FY 1981, more than four million AFDC recipients

participated in one of CETA's employment and training programs for adults and youth.

Throughout the 1970s, the Education and Labor Committee continued its vigorous oversight of employment and antipoverty programs. In 1974, the Committee reported legislation re-establishing the Office of Economic Opportunity as a new independent agency, the Community Services Administration (CSA). By reporting this legislation, the Committee re-affirmed its commitment to the poor and dependent, and to combating poverty and dependency through a variety of services and approaches. In 1976, the Committee reported legislation, which was subsequently enacted, that focused public service employment under CETA specifically on low-income individuals and AFDC recipients. In 1977, the Committee approved legislation adding a series of innovative new programs to CETA designed to address unemployment problems among low-income youth, including teenage parents. Much of what has been learned in recent years about the extremely complex issue of youth unemployment resulted from these 1977 amendments. Finally, in 1978, this Committee reported another set of amendments to CETA, in an attempt to target more of the Act's services on the chronically poor and unemployed.

The Education and Labor Committee in 1981 reported legislation to reauthorize the Community Services Administration (CSA) for another three years. However, the Reagan Administration proposed to abolish CSA entirely and consolidate its activities into the large Social Services Block Grant, along with 11 other categorical social services programs. While this Committee felt strongly that CSA should remain an independent agency, a compromise eventually was reached which created the Community Services Block Grant (CSBG) within the Department of Health and Human Services. This block grant consolidated only those activities of the former CSA, included protections for existing antipoverty agencies, and created a new Office of Community Services in HHS, thereby preserving a single focal point for Federal activities on behalf of the poor and dependent.

In 1982, CETA was scheduled to expire, and the Committee committed itself to a major re-evaluation of employment and training programs for low-income youth and adults. This effort resulted in the Job Training Partnership Act (JTPA), which offers a full range of employment and training services for economically disadvantaged individuals, including AFDC recipients. More than half a million AFDC recipients have participated so far in the title II-A component of JTPA, which provides remedial and basic education, classroom training, on-job-training, employability development, and related services. (Last year, JTPA programs served over 150,000 AFDC recipients.) In addition, the summer youth employment program and Job Corps, which traditionally have served large numbers of AFDC youth, are now authorized under JTPA. The JTPA legislation in 1982 also amended the WIN program in order to coordinate that program more closely with the new JTPA system to ensure effective employment and training services to welfare recipients.

Indeed, a major thrust of JTPA was to achieve improved coordination of Federal and State programs providing education, employ-

ment, and training services to the unemployed and disadvantaged populations. New structures were created at the State and local levels to undertake this task, and financial incentives were introduced to spur this effort.

Since the enactment of JTPA, the Committee has closely monitored its implementation, paying particular attention to the level and quality of services provided to those individuals who are most in need of assistance, and who are also the most likely to become long-term welfare dependents in the absence of effective work-related programs.

During the last 25 years, the House Education and Labor Committee has consistently and continuously demonstrated its commitment and concern for America's poor and unemployed, particularly those individuals with dependent children. Through its extensive oversight and legislative activities, this Committee has developed an invaluable repository of knowledge and expertise in the related areas of work and welfare.

SUMMARY OF REVISED TITLE I OF H.R. 1720 AS REPORTED BY THE COMMITTEE ON EDUCATION AND LABOR

The following is a summary of the legislation as approved by this Committee:

Purpose: To establish the Fair Work Opportunities Program to assure that needy children and parents obtain the education, training, and employment which will help them avoid long-term welfare dependence.

1. *Funding of Fair Work Opportunities Program:* Under the legislation approved by the Education and Labor Committee, the education, training, and work program would be funded (alternatively or in combination) through two sources:

(a) An entitlement program would begin in fiscal year 1990 through Title IV-A of the Social Security Act under which State funding would be reimbursed 65 percent by the Federal Government (this was also in the bill reported by the Ways and Means Committee). These funds would also be available for carrying out the Title IV-C work and training program.

(b) Appropriations would be authorized up to \$65 million for fiscal year 1988 and such sums as may be necessary for succeeding years for the revised Title IV-C Fair Work Opportunities Program with a Federal matching ratio between 70 and 90 percent (above the existing WIN level of \$200 million, the next \$150 million would be earmarked for child care program improvements specified in the Committee-approved bill).

The Title IV-C authorization of up to \$650 million could be appropriated in fiscal year 1988. However, the open-ended entitlement-funded program would begin October 1, 1989 (FY 1990). The Title IV-C authorization would therefore be the sole funding source for the two-year transition period while the Fair Work Opportunities Program is being phased in to succeed the Work Incentive (WIN) program. The Title IV-C work program (regardless of the funding source) requires the approval of the Secretary of Labor.

At the Federal level, the Department of Labor would oversee State-operated work and training programs. At the State level, the

Governor is given the flexibility to designate either the State Welfare Agency, the State Employment Service Agency, or any other State agency as the State Work Initiatives Agency responsible for overall direction of Title IV-C programs designed to meet the employment and training needs of eligible participants.

2. *Participation Requirements and Exemptions:* The Fair Work Opportunities Program would serve two types of participants, mandatory and voluntary. Each adult recipient of family support supplements who is not exempt would be mandated to participate ("mandatory participants") in this education, training, and work program, provided that State resources are available.

Voluntary participants (those who are exempt recipients) shall be actively encouraged by the State to participate in the program and the State must assure the Secretary of Labor that it is doing so.

Each State must notify and fully inform all mandatory and voluntary participants about the education, training, and work opportunities offered under the program.

Exempt from mandatory participation are the following: a person who is ill, incapacitated, or 60 years of age or over; a person who is needed in the home because of the illness or incapacity of another family member; a child under age 16; a person working at least 20 hours per week; a pregnant woman; and a person who resides in an area of the State where the program is not offered.

Parents whose youngest child has attained 1 year of age but not 3 years of age could not be required to participate, but would be encouraged to voluntarily participate in the program if appropriate day care is provided and participation is part-time.

Parents of children 3 to 6 years of age may not be required to participate in work and training programs unless their children are provided with appropriate day care and the parent's participation in work or training is part-time. Parents of children 6 to 14 years old could be required to participate full-time if care is available while such children are not in school or otherwise cared for.

3. *Postsecondary:* If a parent, an adult caretaker, or dependent child attends school or training reasonably expected to lead to employment, such attendance would be regarded as satisfactory participation in the education or training component of the program. The costs of such schooling or training would not be paid by the program but support services could be provided as long as the activities are enumerated in the family support plan.

4. *Special Efforts:* Each State must undertake to develop and provide needed services and activities for families: (1) with a teenage parent or a parent who was under 18 years of age when the first child was born; (2) that have been receiving welfare benefits continuously for 2 or more years; (3) with one or more children under age 6; (4) with a parent that has not been employed during the preceding 12 months or who lacks a high school diploma or equivalent; and (5) with older children in which the youngest child is within 2 years of being ineligible for family support supplement due to age.

Because resources may not be available to serve all mandatory participants and voluntary participants, first priority will be given to those individuals from both groups who actively seek to partici-

pate in the various programs. Volunteers who drop out of the program are only given priority after serving other mandatory or voluntary participants actively seeking to participate.

5. *Orientation*: The State public assistance agency would be required to provide eligible applicants and recipients of Title IV-A public assistance benefits with orientation to the Fair Work Opportunities Program under Part C, including a description of the obligations of the State to provide necessary supportive services (including child care) that will be available during participation, as well as information about the transitional child care and health coverage that will be available.

6. *Job Search*: Any applicant for family support supplements may be required to accept job search assistance while his or her application is being processed or at any appropriate time during participation in Title IV-C program activities.

7. *Sanctions*. (The provisions on sanctions are under the Ways and Means committee's jurisdiction, and their provisions were not substantively changed in the revised title I of H.R. 1720, as reported by the Education and Labor Committee): Mandatory participants who fail to cooperate during the course of the program would be sanctioned. In the case of a single-parent family, the non-cooperating individual would lose benefits. In the case of a two-parent family, one or both parents could be removed from the entitlement program for failure to cooperate. Regardless of family composition, benefits to the children would continue.

8. *Funding and Matching Requirements*: The Secretary of Labor shall allocate 95 percent of Title IV-C appropriations among the States according to prior allocations and the relative number of family support recipients; and 5 percent shall be set aside for State planning grants, technical assistance, demonstration programs, and incentive bonuses for excelling performance standards. The Federal-to-State matching ratio varying between 70 and 90 percent is designed to encourage more intensive education and training programs.

9. *Assessment and Family Support Plan*: The State work initiatives agency would make an initial assessment of the educational, child care, and other supportive services needs, as well as the skills, prior work experience, and employability of each participant. Assessments would include review of family situation and needs of the children. A family support plan would be developed for the family which would outline activities to be undertaken by family members and the State agency. Participants then would negotiate an agency/client agreement, and the family would be assigned a case assistant. Participants are afforded an opportunity for a fair hearing in any dispute involving the agency/client agreement.

10. *Comprehensive Services*: Comprehensive services to be offered to participants must include education, training, job search, and supportive services. Related support services include adequate child care assistance and transportation, which would be extended up to 1 year after a person secures an unsubsidized job. Participants lacking a high school diploma would be required to participate first in an educational program (remedial education English as a Second Language, etc.) before engaging in any other programs or activities.

11. *Coordination:* State plans would have to meet the coordination criteria in the Governor's coordination and special services plan under the Job Training Partnership Act (JTPA). Services could not duplicate existing activities. Each State plan would be reviewed by the State Job Training Coordinating Council and would also be subject to review and comment by the general public.

12. *Transitional Employment:* Transitional subsidized employment (for wages) is limited to up to 6 months with an option to extend an additional 6 months pursuant to a revised family support plan is individuals are unable to secure unsubsidized employment after at least 6 months of participating in employment, training, or education services (including job search).

13. *Mandatory Workfare Prohibited:* Under the Fair Work Opportunities Program as reported by the Education and Labor Committee, recipients of welfare or other public assistance cannot be required to work off welfare payments.

14. *Work Experience Program:* States may operate a limited work experience program, designed to provide marketable skills so as to move individuals into regular public or private employment. Unpaid work experience, in conjunction with training or education, may not exceed more than 30 hours per week for a period not exceeding 3 months, and an extension for up to 3 months is allowed. Strict rules apply before an individual can be assigned to this program activity, which must be consistent with the participants' family support plan.

15. *Supplementation Assistance:* Provides that no participant can be required to accept work which pays less than the minimum wage. Establishes a program of supplementation assistance for one year after a recipient leaves AFDC to prevent a reduction in level of income (including benefits) as a result of taking a job.

16. *Performance Standards:* Performance standards would be established as a basis for assessing the outcome of activities funded under the Act. Performance standards are to take into account differing benefit levels, economic conditions in the States, and factors related to targeting those most difficult to serve. Funds from the 5 percent set-aside would be used to reward States excelling in the achievement of performance standards.

17. *Labor Protections:* The provisions of sections 142 and 143 of the Job Training Partnership Act (JTPA) apply.

EXPLANATION OF LEGISLATIVE PROVISIONS APPROVED BY EDUCATION AND LABOR COMMITTEE

MAJOR FEATURES

Funding and matching requirements

The revised title I of H.R. 1720, as reported by this Committee, would provide two sources of funding work and training programs for assistance recipients. This Committee's provisions would not replace, but instead would augment, the open-ended entitlement funding mechanism which would be established by the Committee on Ways and Means' program.

The Education and Labor Committee's version addresses the gap, under the entitlement funding mechanism reported by the Ways

and Means Committee under which work and training programs would not become fully effective until October 1, 1989 (beginning of fiscal year 1990). Absent a federally-mandated and federally-supported transitional program similar to the current Work Incentive (WIN) program, most States would likely suffer severe hardships in their efforts to continue services to recipients of public assistance. During the interim years (FY 1988 and FY 1989), the Education and Labor Committee's proposed title would enable States to continue education, training, and work services, for both mandatory or voluntary participants who actively seek to improve their prospects for work, through the Fair Work Opportunities Program authorized under the proposed legislation.

In carrying out activities with title IV-C allocations, States would be guaranteed a federal matching ratio of 90/10 up to its fiscal year 1986 allocation for WIN. Above that level, the State would be assured of an 80/20 federal/state match for education and training services, or 70/30 match for administrative expenses and less intensive services such as job search.

A total of \$650 million for fiscal year 1988 is authorized to be appropriated. For succeeding fiscal years, a "such sums as may be necessary" authorization is intended to support the education, training and work programs for future eligible participants. Above a level of \$200 million, the next \$150 million of the amount appropriated for title IV-C is specifically earmarked for child care.

Participation requirements and exemptions

Any recipient of family support assistance payments, who actively seeks to participate in the program, whether or not the recipient is exempt from participation requirements under the proposed legislation, must be given priority for available programs and necessary supportive services. The Committee believes that the provision of services to individuals who seek to participate in education, training, and employment programs authorized under the Act is a logical place to begin the development of a comprehensive federal program to assist families receiving support payments. This emphasis on voluntary participation would reinforce a sense of personal responsibility and initiative among participants in the Fair Work Opportunities Program. The Committee believes that it is neither prudent nor equitable to impose participation requirements on some assistance recipients while others who actively seek to participate are denied access to available programs and services.

Evidence from voluntary programs for AFDC recipients, including the Employment and Training Choices program (known as ET) currently operated by the State of Massachusetts, demonstrates that long-term recipients with more serious barriers to employment will choose to participate in education, training, and employment activities if necessary services are available and if States undertake aggressive outreach and recruitment efforts designed to stimulate and encourage such participation. For this reason, the Committee has strengthened provisions of H.R. 1720 to ensure that all participants are fully informed of opportunities provided through the Fair Work Opportunities Program and given appropriate opportunities to indicate their desire to participate in the program. The Committee intends to require States to make all reason-

able efforts to encourage participation on a voluntary basis, relying upon participation mandates only as a last resort when sufficient numbers of AFDC recipients do not seek to participate in such programs.

State plan

The Committee recognizes that the provision of job-related services to a large number of families not previously served will require the mobilization of many additional State, local, and private resources. The local and community-based entities identified in the Job Training Partnership Act must be involved in the planning, implementation, and delivery of the Fair Work Opportunities Program. The active involvement of community action agencies and other community-based groups is necessary to assure that the outreach and supportive services provided to participants will be appropriate and that the jobs identified will be matched with long-term community needs.

Assessment and family support plan

The State work initiatives agency, under the proposed revision of Title IV-C, would make an initial assessment of the educational, child care, and other supportive services needs, as well as the skills, prior work experience, and employability of each participant. Assessments would include review of the family situation and needs of the children. A family support plan would be developed for the family which would outline activities to be undertaken by family members and the State agency. Participants then would negotiate an agency/client agreement, and the family would be assigned a case assistant. Participants are afforded an opportunity for a fair hearing in any dispute involving the agency/client agreement.

The Committee recognizes that the decisions which participants are asked to make during the assessment and the negotiation of agency/client agreement are of great personal significance and that some participants may not be entirely comfortable with or confident of the initial choices they make during this process. Following even the most thorough orientation and assessment, there are also likely to be some participants who still may not completely understand all of their rights, responsibilities, and opportunities under the program. To assure that participant choices are fully informed and truly reflect the needs and goals of each individual, the proposed legislation (section 435 (b)(1) of the new Title IV-C) therefore requires that, prior to signing the agency/client agreement, each participant be given the opportunity, for a period of up to 10 days, to review the proposed agreement, to request additional information about its terms and contents, and to renegotiate any appropriate provision he or she considers necessary. The Committee intends this review period to be an interactive process and expects that every effort will be made to accommodate participant requests for information and renegotiation through telephone and, when appropriate, face-to-face contact with a representative of the State agency.

The Committee expects that the volume of client intake will be carefully regulated so as to assure that sufficient time is available

to develop a comprehensive and individualized assessment of each participant's needs. Assessment procedures must not be cursory, and each participant's aptitudes, skills, and interests should be explored creatively and in detail. Tests and other assessment techniques recognized as effective in the fields of education and employment training should play an important role in this process.

Range of services

The Committee intends that each State shall provide a range of education, training, and employment services to assistance recipients through the Fair Work Opportunities Program. At a minimum, each State must make available educational services, vocational skills training, job search, and job placement services, counseling, and necessary support services which are responsive to the needs of recipients and their families. In addition, the Committee recognizes that individual States may choose to supplement these core activities with optional programs (such as transitional employment, job readiness activities, on-the-job training, or work experience programs), and authorizes the expenditure of funds available under the proposed new section 416 and title IV-C for these purposes.

EDUCATION PROVISIONS

One of the greatest barriers to employment is lack of education. For assistance recipients—who often lack a high school diploma, lack English-speaking skills, or are in need of basic reading and mathematic skills—educational programs are necessary stepping stones to job readiness and job placement activities. In California, for example, the Greater Avenues for Independence (GAIN) Program was enacted in 1985 to improve the work programs for welfare recipients by offering a wide range of education, training, and employment services. The GAIN program requires that anyone without a high school diploma or in need of basic education first must be referred to remediation before being required to participate in other program activities. In 12 out of the 58 counties in California which have implemented GAIN, the latest findings indicate that 57 percent of the participants needed remedial education. A recent General Accounting Office study found that, in States operating work and welfare demonstration programs in 1985, more than half of the participants were put into a job search component, but only 3 percent received remedial or basic education, 2 percent received vocational training skills, and fewer than 5 percent received other education or training services.

Recognizing the importance of educational services for welfare recipients, the Committee-approved legislation authorizes a comprehensive range of educational services to help participants prepare for employment. Early intervention programs are designed to meet the educational needs identified in the participant's initial assessment. The Committee believes that, if a program participant lacks a high school diploma, an education component must be a part of any plan of services that is developed for the individual.

Improvements in basic skills constitute the most effective investment in employability and future self-sufficiency for welfare recipi-

ents who lack a high school diploma. Therefore, provisions in H.R. 1720 were strengthened to ensure that each participant in the Fair Work Opportunities Program would receive appropriate education services before being assigned to other work or training activities. However, the Committee recognizes that a high school diploma or its equivalent may not be an appropriate or realistic goal for some welfare recipients. The Committee does not intend that the attainment of a high school diploma be the only means by which this education requirement can be fulfilled. Instead, it is the Committee's intent to ensure that an appropriate education component, commensurate with the client's needs, be provided as part of the plan of services.

Postsecondary education

Although most persons receiving public assistance are not ready to take advantage of postsecondary education, some welfare recipients are prepared to successfully pursue a postsecondary education program, or may be prepared after receiving a high school degree.

Postsecondary education may take the form of a vocational program (perhaps at a local business or vocational school) or a two-year community college program, or it may lead to a four-year bachelor's degree for some individuals. People who can benefit from postsecondary education should be encouraged to go as far as their ability and motivation can take them, because the ultimate results of achieving a higher education degree often means genuine and lasting self-sufficiency, ending welfare dependence while enabling such individuals to make a full contribution to society.

This legislative provision does not require States to use education and training funds under this legislation to help pay an individual's postsecondary education costs. The federal student aid system is available to help welfare recipients meet those costs. The Committee's intention is only to assure that basic welfare benefits not be denied because a recipient chooses to pursue a postsecondary education program, in lieu of participating in the work or training activities.

This provision is designed to assure that States will not restrict the length of time and types of courses welfare recipients may take at the postsecondary level. Welfare recipients should not be told that they will lose welfare benefits unless they abandon higher education in favor of a lower-level job or short-term training program, when they are able to progress satisfactorily in a postsecondary education on a full-time or more than half-time basis.

The U.S. Department of Education reports that, on the average, college graduates in their lifetimes earn an average of \$650,000 more than others. The Committee therefore believes that, for those who have the ability to satisfactorily participate, it is a wise investment to enable welfare recipients to achieve a degree at the undergraduate level, in light of the benefits to the individual and society that should ensure after completing such education. The Committee recognizes that college education is a legitimate goal for people seeking to get off welfare.

The Committee therefore has included a provision which assures that welfare recipients may retain their basic subsistence benefits while they pursue or complete an undergraduate program. The

Committee-reported legislation bill provides that an individual who attends an accredited postsecondary institution (on not less than a half-time basis), as long as such individual is making satisfactory progress in a vocational or undergraduate education or training program consistent with the individual's employment goals, shall be deemed to be participating satisfactorily under this program without participating in any other program or activity.

WORK AND TRAINING PROVISIONS

COORDINATION WITH JTPA

Lessons learned from work programs under the Committee's jurisdiction over the last two decades—the Manpower Development and Training Act; the Comprehensive Employment and Training Act; the Work Incentive Program; and the Job Training Partnership Act—have reinforced the importance of coordinating welfare work programs with existing education, training, and employment systems.

Many witnesses testifying before the Committee stressed the importance of using existing education and training systems to the maximum extent possible. The Committee-reported legislation, therefore, promotes coordination of welfare work programs with the Job Training Partnership Act in order to avoid (1) the duplication of existing services and (2) the development of a two-tier employment and training system which needlessly stigmatizes welfare families. To achieve these objectives, the Committee's revised title I utilizes existing partnership institutions credited by JTPA to related activities. Accordingly, the State plan for delivering services to welfare recipients must meet the approval of the Governor's JTPA coordinating council. In addition, the planning and program design for delivering education, training and work programs must include involvement of JTPA business and local government representatives to assure that participants are trained for jobs that are likely to be available in the community. Since the JTPA service delivery system is required by law to serve welfare recipients, the Committee believes that their involvement in planning and program design for the Fair Work Opportunities Program is appropriate.

Transitional employment

Transitional subsidized employment (for wages) is limited to up to 6 months with an option to extend an additional 6 months after review of the family support plan, if individuals are unable to secure unsubsidized employment after participating in employment, training, or education services for at least six months.

The legislation, as approved by the Committee on Education and Labor and by the Committee on Ways and Means, provides crucial investments in education, training, and support services to help adults receiving assistance benefits to move into regular employment. However, these investments will not yield the desired results if jobs at decent wages are not available in the communities across the country. At a time when nearly 8 million Americans remain unemployed and another 5.5 million adults in the labor force are forced to work part-time because they cannot find full-time jobs, it is not enough to discuss the employment needs of assistance recipi-

ents solely in terms of education, training, and support services. If temporary subsidized employment is a necessary step towards achieving unsubsidized employment in the regular economy, then it is in the best interest of the Federal Government and society as a whole to continue to invest in those individuals' employment goals and eventual escape from dependency.

The legislation approved by this Committee authorizes transitional employment for wages as an integral part of any new federal welfare employment initiatives. The transitional employment must be with a public or nonprofit private employer for a period not to exceed 6 months unless, at the end of such 6-month period, additional transitional employment is determined to be necessary in a review and modification of the family support plan. Only after an individual has had an opportunity to engage in appropriate education, training, or work activities for at least 6 months and has been unable to secure unsubsidized employment can that individual be placed in transitional employment.

The Committee does not intend transitional employment to become an open-ended strategy for providing education, employment, and training services to welfare recipients. It is the Committee's intent to ensure that a recipient has had sufficient time to participate in education and training programs before being placed in a transitional employment assignment. Only a minimum, not a maximum, time frame has been established for participation in the Fair Work Opportunities Program before a welfare recipient can participate in transitional employment. The Committee expects that participants will have had time to make progress in the education and training programs, in accordance with their family support plan prior to a transitional employment placement.

Work experience program

Current law embodies a contradictory approach to work experience programs for economically disadvantaged individuals. Under the Job Training Partnership Act, work experience activities must be closely linked to training and limited to 6 months. Under the Community Work Experience Program (CWEP) as authorized in the 1981 Omnibus Budget Reconciliation Act, States could require ongoing work experience assignments for its AFDC recipients without any meaningful coordination with training activities. Participants in CWEP assignments work off their welfare grants in jobs with public or private nonprofit agencies. These unlimited "workfare" programs generally do not enhance the employability of participants and often appear to be punitive "make-work" assignments. Furthermore, there is considerable potential for abuse of mandatory work assignments under CWEP. The Committee is concerned about reports from New York, Pennsylvania, and Mississippi that regular employees are being replaced with uncompensated CWEP participants.

This Committee recognizes that the modified CWEP provisions in Title I of H.R. 1720, as reported by the Ways and Means Committee, seek to improve the current program insofar as it links work experience with training, provides a time limitation and prohibits repeat assignments. However, under the Ways and Means' provisions, a State may assign a participant to a CWEP activity without

giving the individual an opportunity first to participate in other education or training activities.

The amended Title I of H.R. 1720, as reported by the Education and Labor Committee, deletes the CWEP authorization. The legislation, as approved by this Committee, would authorize work experience programs among the optional, comprehensive range of services offered to assist participants to prepare for and to secure employment. States may provide marketable work experience and training through a combination of work experience and vocational training or educational activities as part of a planned sequence set forth in the participant's family support plan. Work experience programs must be able demonstrably to provide marketable skills to individuals with no previous work experience, to upgrade existing skills, or to transform obsolete skills into marketable skills. A participant in a work experience assignment performs unpaid work experience (which, in conjunction with training, may not exceed a maximum of 30 hours per week) for a period not exceeding 3 months. One repeat assignment up to 3 months is allowed if the following conditions are met: (1) the repeat assignment is requested by the participant and such request is reflected in a modified family support plan; or (2) such repeat assignment would lead to regular employment in an on-the-job training position. The work experience assignment must be part of a planned sequence of work experience and vocational training or educational activities.

The Committee allows an extension for only one additional 3-month period. No further extensions are permitted. Furthermore, specific requirements are provided under which a work experience placement can be extended or repeated. Unless those requirements are met, a work experience placement cannot be extended. The Committee does not intend work experience to become an open-ended strategy to provide services to welfare recipients.

Performance standards

Under the Fair Work Opportunities Program, the Secretary of Labor, on the basis of recommendations received from an advisory committee and the Office of Technology Assessment, would be responsible for establishing program performance standards. These standards, to be used for evaluating program success and determining eligibility for incentive grants available (under section 432(b)(2) of the revised Title IV-C) under this Committee's legislation, are to be measured in terms of reasonably-expectable outcomes rather than simply levels of program activity or participation. The use of this type of performance measurement is intended to encourage States to recognize appropriately the greater difficulties and barriers to self-sufficiency facing program participants.

Performance standards shall take into account job placement rates, job retention, reduced levels of welfare payments under the State plan, improved educational levels of participants, and the extent to which participants are able to obtain jobs providing health benefits or child care.

In the development of any performance standard which takes into account improvements in educational levels, the Committee does not intend this standard to imply any authority to create or develop a national test by which these improvements will be meas-

ured. The Committee intends that the prohibition against Federal control of education, as contained in section 145 of the Job Training Partnership Act, apply to the education programs provided under this legislation. Additionally, the Committee expects that in the development of performance standards, appropriate recognition will be given to the difficulties that might occur in serving individuals with greater barriers to employment. Therefore, the Committee encourages the Secretary of Labor to examine the feasibility of implementing a performance standard system which weights performance outcomes based upon the severity of these employment barriers.

Guidelines intended to permit appropriate variations shall be included in the performance standards, in order to allow for differing conditions, including unemployment rates, which exist in the States. The Governors of the States will be required to vary the standards, in accordance with these guidelines, to the extent necessary to allow for specific economic, geographic, and demographic factors; the characteristics of the population to be served; and the types of services to be provided in their State.

For the purpose of developing proposed performance standards which meet the requirements of the Fair Work Opportunities Program the Secretary of Labor is to establish an advisory committee composed of representatives of State agencies administering welfare work programs, State job training coordinating councils, labor organizations, business organizations, education agencies, community-based organizations, and organizations representing eligible participants. The proposed standards developed by this advisory committee are to be submitted to the Office of Technology Assessment (OTA), for a period not exceeding 30 days, for review and comment prior to their submission to the Secretary. The comments of the OTA on the proposed standards shall be included in the documents submitted to the Secretary by the advisory committee.

In order to assist in the development of the performance standards, the Secretary may collect preliminary program information from the States, and, in addition, shall have access to information developed through initial State evaluations authorized under this part. Additionally, the 5-percent set-aside available to the Secretary for technical assistance and planning grants under sections 432(b) (1) and (2) may be used by the States to help them meet or exceed performance standards.

Preliminary guidelines intended to facilitate compliance with the performance standards shall be established within 12 months after enactment of the Family Welfare Reform Act of 1987. Final performance standards are to be established, prescribed, and published no later than 24 months after enactment of such Act. In fulfilling performance standards requirements, the States are encouraged to target services towards those individuals hardest to place in unsubsidized employment on the basis of work experience, duration of welfare dependency, and educational attainment.

The Secretary shall be evaluating each State's progress towards meeting the performance standards at the completion of each fiscal year for which a state may be held accountable. If a State fails to meet the performance standards, the Secretary is required to provide the State with the technical assistance it needs in order to

meet the standards. After this assistance is provided, the State's compliance shall be reviewed again by the Secretary within a 6-month period. If a State meets or exceeds the performance standards, they become eligible for incentive funds available under section 432(b)(2) of the Fair Work Opportunities Program and the amount of any such reward shall be determined by the Secretary of Labor. In addition, States which receive incentive monies (from the 5 percent reserved funds) are obligated to share an appropriate portion of that incentive bonus with local service providers whose performance was responsible for such award.

The Secretary shall periodically, but not more often than once every three years, review the performance standards. Any recommended changes are required to be submitted to the advisory committee and the Office of Technology Assessment for their review and comment before any revisions of the standards are prescribed.

The Committee believes that these performance standards, which place emphasis on program outcomes rather than program placements, represent a substantial improvement over provisions in the bill as reported by the Ways and Means Committee.

Initial State evaluations

The Committee recognizes that States need to have accurate and usable information in order to comply with the purposes of the Fair Work Opportunities Program. Therefore, the Committee-reported legislation provides that each State shall be allotted a one-time grant of \$100,000 for the purpose of gathering and making available to the Secretary of Labor information on the welfare population, labor market needs, and other data on which to base estimates of future demands for education, training and work services for assistance recipients, as well as to conform with the uniform reporting requirements and performance standards requirements of the Act. It is the responsibility of the Governor-designated State administering agency to design and undertake this evaluation. The State agency will have six months following enactment of the Act to transmit its evaluation to the Secretary of Labor. The Secretary in turn provides the data to the advisory committee and to the Office of Technology Assessment for preparation of performance standards. The Secretary of Labor is to supply the States with whatever data and technical assistance is necessary in order for them to carry out the evaluation specified in this Act. The intent of this provision is to improve the efficiency of targeting and service allocation under this program and to be a source of baseline data in the development of performance standards.

Labor benefits and labor protections

The benefits and labor standards provisions of the Job Training Partnership Act (sections 142 and 143) are made applicable to all programs under part C and section 416, and to any work programs under the Act.

In addition, the Committee-reported legislation assures that no participant can be required to accept work which pays less than the minimum wage and further established a program of supplementation assistance for one year after a recipient leaves welfare

to insure that a reduction in the level of income (including the value of health benefits) does not occur as a result of taking a job.

Nondiscrimination provisions

The Committee-reported legislation establishes grievance procedures relating to allegations of discriminatory treatment under any program activity or work assignment under the Act. The Committee has consistently acted to assure equal protection for participants in education and labor programs. The provisions of section 167 of the Job Training Partnership Act (relating to non-discrimination) would apply to complaints in program activities under section 416 and part C of title IV, and any work program operated under the Social Security Act. For complaints of employment discrimination, participants of any work program under such Act would be afforded the same rights are available to other employees under any federal, State, or local law prohibiting discrimination in employment.

DEMONSTRATION PROGRAMS

EARLY CHILDHOOD DEVELOPMENT

The Committee has a long standing commitment to quality education programs, whether the program is designed to address the needs of preschool age children or adults dislocated from longstanding employment situations. The Committee-approved legislation would authorize several demonstration programs to address issues such as reducing dropout rates and providing in-home child development programs for preschool children to enhance their cognitive and linguistic ability.

The Committee believes that the design, administration, and implementation of such programs should benefit from the experience and research already available, or be jointly operated in concert with other such demonstration programs. For this reason, the Committee intends that child development programs shall include parental involvement and shall focus on the improvement or acquisition of reading, writing, and speaking skills. Such involvement improves the skills not only of the child, but of the parent as well.

Further, the Committee believes that programs designed to address the concern of dropout youth cannot ignore the programs already operated through local educational agencies and community based organizations. Such programs should not only address the problems of youth once they have dropped out, but also the issue of dropout prevention.

Supported work in the private sector

The Committee-reported legislation authorizes the Secretary of Labor to provide financial assistance for demonstration projects to test the effectiveness of utilizing a performance-based contracting method of having private organizations operate supported work programs to place participants in full-time positions in the private sector.

For example, private organizations could enter into performance-based contracts with the appropriate State agency to operate supported work programs which would place a specified number of

AFDC recipients in permanent unsubsidized private sector jobs during a given time period. The Federal subsidy would not exceed 9 months. The program operator would carry out the project under a performance-based contract, but the operator would not receive any portion of its fee, until the individual has been hired by the private company and has remained there for 30 days after the supported work component is completed. The total fee would not be paid until the individual has remained in the job for 90 days. The program operator would pay at least the minimum wage and fringe benefits during the supported work period. This wage could be paid by the program operator from grant diversion monies. At the end of the supported work period, the worker would become an unsubsidized worker. The program operator would remain available to resolve any problems which might develop for a period specified in the contract with the State agency.

Community development corporations

The Committee has authorized a job creation demonstration program using nonprofit community development corporations (CDCs). Under this demonstration program, funds made available from the 5-percent set-aside for the Secretary's discretionary funding may be used by CDCs for venture capital to create jobs and business opportunities for individuals eligible under this Act. The Committee will expect the Secretary to make available to the State information on the Community Economic Development program operated by the Office of Community Services (OCS) in the Department of Health and Human Services and to work with the States to promote joint projects with OCS. The term "community development corporation" refers to any nonprofit organization defined under section 681(a)(2)(A) of the Community Services Block Grant Act.

Community-based organizations

The Committee has noted the development of numerous local comprehensive Family Support Programs by community action agencies in several states including Project Uplift in Baltimore, the Bridge program in Lafayette, Georgia, and others. The demonstrations are intended to provide and evaluate models of such comprehensive family service programs in conjunction with state welfare departments and community action agencies and other community-based organizations.

CHILD CARE PROVISIONS

The General Accounting Office's report on work and welfare, issued in January 1987, noted that about 60 percent of the AFDC work program respondents were unable to participate due to lack of adequate child care. Reports from California's GAIN Program and Massachusetts' ET Program illustrate the fact that quality child care is a necessary ingredient to successful transition from welfare to work programs.

H.R. 1720 recognizes that quality child care must be available if parents with children are to participate in work and training programs. To help assure that child care resources are available for program participants, this Committee's revised title I requires an

assessment of existing child care resources and of their ability to meet the increased demand that will result from the enactment of this legislation. The assessment is to be conducted prior to, or in conjunction with, the expenditure of child care funds in order that states have realistic information not only about the child care resources available, but also how much they cost and where shortages exist. To the extent that such information is available prior to implementation of a work and training program, states will have an enhanced ability to develop additional child care resources that will enable greater numbers of parents with children to participate.

PARTICIPATION OF PARENTS WITH CHILDREN

This proposed legislation authorizes states to permit and encourage the participation of mothers with children between the ages of 1 and 3 if adequate child care is available. Testimony before the Committee indicated that many mothers with young children are eager to participate in work and training programs and volunteer to do when child care is available. Mandatory participation requirements are not necessary to bring about an increased desire to participate by parents of young children. But a significant concern is the enormous shortage of infant care which makes mandatory participation difficult to implement. Because quality infant care is expensive, the \$200 a month limitation on the rate of reimbursement for child care to this age group under title II of H.R. 1720, while an improvement over existing law, could have the unintended result of forcing mothers to leave infants in substandard care.

The two major state welfare efforts, California's Greater Avenues for Independence (GAIN) Program and Massachusetts' Employment and Training (ET) Choices Program, recognize the importance of offering child care to school-age children and young adolescents. The bill similarly extends the guarantee of child care to parents of unattended children up to age 15 when it is needed in order for the parent to participate in work and training programs. Care is to be limited to such times as the parent is participating in work and training programs and the child is not in school or otherwise receiving care. The care also must be appropriate to the age and needs of the child.

The Committee is aware that children in this age group may already be involved in supervised after-school activities or that a parent may determine that supervised care is not a prerequisite to participating in a work and training program. In such cases, the parent retains the option of not seeking child care services. While parents are not required to avail themselves of child care services, it is important that they be provided when needed. Young school-age children should not be left to face empty houses or to hang out on unsafe streets.

Early adolescence is also an important time in the development of children. After-school experiences not only provide a safe, supervised environment for young adolescents, but also help to build basic skills and offer positive peer and adult relationships. Effective programs can help reduce the drop-out rate and reduce juvenile delinquency as well as impact the future employability of

these youth. If these programs are not available for those who need them, future alternatives for such children could include dropping out of school, or succumbing to drugs and other illegal activities.

While the Committee amendments prohibit mandatory participation of parents unless appropriate child care is guaranteed, they also contain several provisions intended to expand the availability of quality child care so that more parents will be able to participate in work and training programs. First, the bill authorizes \$150 million for child care under Title IV-C, which may be used to increase the supply of both center-based and family day care providers and to provide the training that is crucial to ensure an adequate supply of competent staff. Specialized training in child development and early education has repeatedly been shown to affect children's social and cognitive gains in early childhood programs. Properly trained staff have skills which enable them to hold the attention of groups of children with different abilities and interests, to promote positive social interaction, and to provide special attention to each child. Training must be an on-going activity to meet the demands of new child care providers coming into the field and to keep existing providers current with new early childhood developments as well as with health and safety concerns. To maximize resources for early childhood care, and to take advantage of existing high quality early childhood development programs, states are encouraged to coordinate child care services with Chapter 1, Head Start and other preschool so that these programs may provide full day and full year services to participating families.

Orientation

To further improve the ability of parents to find quality child care, the orientation provisions of H.R. 1720 are revised to ensure that adequate child care information is provided by a representative of a resource and referral program or a person familiar with child care. A properly conducted child care orientation session will help parents understand their child care options, how to look for and recognize quality child care, and what care is available in their communities. This would improve the chances that parents will receive the help they need to make an appropriate child care choice. The revised legislative language further provides that parents shall be assisted in finding appropriate child care that meets the standards specified in Title II and that provides a safe, healthy and supportive environment including at a minimum: (1) unlimited parental access; (2) posting in clear public view the appropriate telephone number for filing any complaint regarding child care quality, and health or safety violations; and (3) compliance with all local health and fire and safety standards.

Standards

Title II of H.R. 1720 requires that child care providers must meet applicable standards of state and local law or standards established by the state which, at a minimum, ensure basic health and safety protection. To help protect against the possibility of standards (which exceed the minimum) being relaxed for the purposes of this Act, the proposed legislation prohibits states from lowering standards in place on the date of enactment of H.R. 1720. The Commit-

tee does recognize that most states review their licensing requirements on a periodic basis. It is the Committee's intent that states have the flexibility to alter standards based on changes in current practice in childhood development, health and safety procedures, or other factors affecting the quality of care.

Reporting requirements regarding child care

The Secretary of Health and Human Services is required in establishing uniform reporting requirements, to include information on the child care cost for participating families, the type of care provided, and the number of children in each age group.

CONGRESSIONAL BUDGET OFFICE ESTIMATE

In compliance with clause 2(1)(3)(C) of Rule XI of the Rules of the House of Representatives, the estimate prepared by the Congressional Budget Office pursuant to section 403 of the Congressional Budget Act of 1974, submitted prior to the filing of this report, is set forth as follows:

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, August 4, 1987.

Hon. AUGUSTUS F. HAWKINS,
Chairman, Committee on Education and Labor, U.S. House of Representatives, Washington, DC.

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared this cost estimate for amendments to H.R. 1730, the Family Welfare Reform Act of 1987, as ordered reported by the House Committee on Education and Labor on July 15, 1987. H.R. 1720 was ordered reported by the House Committee on Ways and Means on June 10, 1987.

This estimate provides the spending impacts of the Committee on Education and Labor amendments to Title I of H.R. 1720. The table below shows the original estimate of H.R. 1720's impact on spending, the Committee on Education and Labor changes to spending, and the resulting estimated spending totals for the bill as amended.

TABLE 1.—ESTIMATED COST TO THE FEDERAL GOVERNMENT—ALL TITLES OF H.R. 1720

(By fiscal year, in millions of dollars)

	1988	1989	1990	1991	1992
Ways and Means bill: Budget authority/estimated:					
Authorization level.....	225	521	1,208	1,593	1,775
Estimated outlays.....	192	520	1,214	1,599	1,780
Education and Labor Amendments: Budget authority/estimated:					
Authorization level.....	645	656	649	700	746
Estimated outlays.....	515	652	710	696	742
Total spending: Budget authority/estimated:					
Authorization level.....	870	1,177	1,857	2,293	2,521
Estimated outlays.....	707	1,172	1,924	2,295	2,522

The Education and Labor Committee amendments deal only with Title I of the bill, which would provide for work, education, and

training for recipients of Aid to Families with Dependent Children (AFDC). The amendments would make numerous changes in Title I. Only those which would affect estimated costs are noted here. The amendments would add a new authorization in Title IV-C of the Social Security Act, modifying the Work Incentive Program (WIN). The authorization would provide \$650 million in fiscal year 1988 and such sums thereafter. Of this amount, \$150 million would be for child care-to assess resources, train personnel, establish and renovate child care centers, and reimburse child care expenses of work program participants and recipients who would leave AFDC with jobs. In fiscal years 1988 and 1989, 5 percent of the appropriation would be for planning grants, technical assistance, and demonstration projects. States would have to provide funds equal to certain percentages of funds appropriated for the \$650 million authorization. Specifically, on any share equal to the 1986 WIN appropriation (\$234 million), states would have to provide 10 percent of funds; on spending on education, training, child care, and supportive services above the 1986 WIN level, 20 percent; and on remaining spending, 30 percent.

The open-ended entitlement under the IV-A (AFDC) program with a federal match rate of 65 percent and a state match rate of 35 percent on work program expenses and 50 percent each on administrative expenses would continue as in the Ways and Means bill. However, the maintenance of effort provisions that would require states to continue spending at current levels was removed by the Education and Labor amendments.

The amendments would provide generally for the same types of allowable services as in the Ways and Means bill, except that Community Work Experience Programs (workfare) would be precluded. However, Work Experience Programs, involving unpaid work experience in conjunction with training, could be used for at least three months per participant and in some cases for as long as six months. In addition, the same general priorities among participants that are in the Ways and Means bill would remain in the amended version.

Basis of Estimate

The spending change from the Education and Labor amendments shown in Table I reflects two modifications from the original bill: the addition of the IV-C authorization and a reduction in IV-A entitlement spending. The stated authorization of \$650 million in 1988 was inflated in the outyears by CBO's projections of the GNP deflator for state and local purchases. Outlays were estimated assuming that 90 percent of a year's authorization would spend in year 1 and 10 percent in year 2. To account for some startup delays, however, the first year's authorization was assumed to spend only 80 percent in year 1, 10 percent in year 2, and 10 percent in year 3. Both the spendout rates and the inflation index are consistent with those used in estimates of the WIN program. Based on CBO's estimate, the authorization would rise from \$650 million in fiscal year 1988 to \$791 million in fiscal year 1992. Estimated outlays would rise from \$520 million to \$787 million in fiscal years 1988 and 1992, respectively.

Costs of the open-ended entitlement in the IV-A program would decline from the Ways and Means bill because of the removal of the maintenance of effort language. The Ways and Means bill reduced the state match rate on work program expenses from 50 percent to 35 percent and CBO's estimate assumed that all resulting state savings would be put back into work programs. Without the maintenance of effort language, states could choose to retain all of the savings from the reduced state match, put all of the savings back into work programs, or do something in between. CBO's estimate of the Education and Labor amendments assumed that one-half of state savings would be put back into work programs. Thus the costs of the entitlement, and the numbers of work program participants under the entitlement, would be reduced from the Ways and Means bill. Entitlement spending—in the AFDC, Medicaid, and Food Stamp programs—is estimated to be \$5 million lower in 1988 and \$45 million lower in 1992 as a result of the Education and Labor amendments.¹

This cost estimate follows CBO procedures in the treatment of authorized programs. The estimate assumes, first, that the authorization would be fully appropriated. Second, effects of the authorization on entitlement programs are not accounted for because CBO's estimates for budget control purposes do not normally count potential secondary budget effects on entitlement programs from changes in authorizations or appropriations of discretionary programs. For example, the reductions in welfare spending as a result of the authorized spending on work and training programs are ignored, as are any effects of the authorized spending on the open-ended entitlement in the IV-A program. In order to permit comparisons of cost projections for the original Ways and Means bill and the Education and Labor amendments and between the amended bill and CBO's baseline spending estimates, however, the next section provides cost projections showing multiple interactions between the IV-C authorization and entitlement spending.

Effects of H.R. 1720 as amended by the Education and Labor Committee

Four major interactions were considered in the following estimates of effects. First, federal outlays stemming from the authorization were reduced by spending for WIN, which is included in CBO's baseline. Thus, the effects of the work program were estimated to be over and above those currently taking place under the WIN program. Second, outlays were further reduced by a portion of current spending on AFDC (IV-A) work programs. Part of the authorization would merely substitute for current spending, leading to no outlay increase and no increase in participation in work programs. The authorization would not substitute for all current spending because some states with large work programs would receive an allocation from the authorization that would be smaller than their current sending. CBO estimated that 75 percent of current federal spending under the IV-A program would be funded under the authorization, based on data for California and Massa-

¹ Technically, the Food Stamp program is authorized and is not an entitlement.

chusetts. (For total current spending on work programs, some of which is state-only money, CBO estimated that about 55 percent would be funded under the authorization.) As a result of these two changes, federal costs of the work program under the Education and Labor amendments would be only 60 percent to 70 percent of costs underlying the estimate in Table 1.

A third adjustment was made to allow for savings in welfare programs—AFDC, Medicaid, and Food Stamps—from the additional outlays on work programs from the authorization (less the offsets just discussed as well as deductions for the child care authorization, spending on planning grants and demonstrations, and spending on employment plans and client-agency agreements). This adjustment makes the treatment of the authorization and the entitlement spending consistent in that both would then show identical welfare savings for each new dollar spent on work programs.

Finally, the open-ended entitlement under the IV-A program was reestimated to allow for some spending—for example, on child care and on employment plans and agreements between the welfare office and AFDC recipients—that would now take place under the IV-C authorization.

Table 2 shows the estimated effects of the original Ways and Means work program, the Education and Labor amended work program, and the differences between the two. The estimated effects on Federal outlays of the Ways and Means work program are equal to CBO's official estimate of Federal costs of the work program, although this is not true for the Education and Labor amendments, as discussed above.

TABLE 2.—ESTIMATED EFFECTS OF H.R. 1720 WORK PROGRAMS—FEDERAL OUTLAYS

(By fiscal year, in millions of dollars)

	1988	1989	1990	1991	1992
Ways and Means Bill:					
Work program costs	16	105	310	350	370
Welfare savings	-1	-8	-35	-80	-115
Net costs	15	97	275	270	225
Education and Labor Amendments:					
Work program costs	330	525	750	730	770
Welfare savings	-1	-15	-70	-135	-185
Net costs	329	510	680	595	585
Difference:					
Work program costs	314	420	440	380	400
Welfare savings	(¹)	-7	-35	-55	-70
Net costs	314	413	405	325	330

Affected families (by fiscal year, in thousands)

Ways and Means Bill:					
Number of additional participants in work programs ²	5	35	100	110	115
Cumulative number of families off of AFDC as a result of work programs ²	(³)	2	5	15	25
Education and Labor Amendments:					
Number of additional participants in work programs ²	5	90	180	150	150
Cumulative number of families off of AFDC as a result of work programs ²	(³)	3	15	30	40

TABLE 2.—ESTIMATED EFFECTS OF H.R. 1720 WORK PROGRAMS—FEDERAL OUTLAYS—Continued

[By fiscal year, in millions of dollars]

	1988	1989	1990	1991	1992
Difference:					
Number of additional participants in work programs ²	(³)	55	80	40	35
Cumulative number of families off of AFDC as a result of work programs ²	(³)	1	10	15	15

¹ Less than \$500,000.² These are additional work program participants and additional families off of AFDC as a result of the bill's work programs, and are additions to current law levels.³ Less than 500 families.

As shown in the table, the Education and Labor amendments would add an estimated \$314 million in 1988 and \$400 million in 1992 to the costs of work programs in the Ways and Means bill. As a result, there would be from 35,000 to 80,000 more participants in work programs each year after 1988 and 15,000 more families off of AFDC by 1992. Welfare savings would be higher by \$7 million in 1989 and by \$70 million in 1992. The basis of these estimates is discussed in the CBO cost estimate of the Ways and Means reported bill.

These effects on federal costs and savings of the Education and Labor amendments may be overstated for several reasons. Title II of the Ways and Means bill would mandate six months of reimbursable child care for those families who left AFDC with jobs. Some of the costs of this provision could be covered under the \$150 million of the IV-C authorization earmarked for child care, but it is not possible to know how states might choose to allocate these child care funds. Second, this estimate was done as if the IV-A entitlement spending were independent of the amounts authorized. In reality, states would probably reduce their spending under the entitlement as a result of their allocations under the IV-C authorization. Finally, some states who are currently spending little on AFDC work programs might choose not to match their full allocation under the authorization, which would be considerably higher than their current WIN allocation.

State Costs

The Education and Labor amendments would reduce work program costs of state and local governments, and lower their overall costs from H.R. 1720. The reduced costs would result in part from the substitution of federal spending for current state and local spending on work programs. In addition, states and localities would share in the increased welfare savings in AFDC and Medicaid from the amendments.

TABLE 3. ESTIMATED COST TO STATE AND LOCAL GOVERNMENTS—ALL TITLES OF H.R. 1720

[By fiscal year, in millions of dollars]

	1988	1989	1990	1991	1992
Ways and Means Bill.....	141	201	345	371	272
Education and Labor Amendments	-68	-34	-78	-126	-136
Total cost.....	73	167	267	245	136

If you wish further details on this estimate, please call me or have your staff contact Janice Peskin (226-2820).

With best wishes,
Sincerely,

EDWARD M. GRAMLICH,
Acting Director.

COMMITTEE ESTIMATE

With reference to the statement required by clause 7(a)(1) of Rule XIII of the Rules of the House of Representatives, the Committee accepts the estimate prepared by the Congressional Budget Office.

INFLATIONARY IMPACT STATEMENT

Pursuant to clause 2(1)(4) of Rule XI of the Rules of the House of Representatives, it is the Committee's estimate that the enactment of this legislation will have no inflationary impact on prices and costs in the operation of the national economy.

COMMITTEE FINDINGS

With reference to clause 2(1)(2)(A) of Rule XI of the Rules of the House of Representatives, the Committee held three legislative and oversight hearings in the 100th Congress as described under "Committee Action" which contributed to the consideration of this legislation.

STATEMENT REGARDING OVERSIGHT REPORTS FROM THE COMMITTEE ON GOVERNMENT OPERATIONS

In compliance with clause 2(1)(3)(D) of Rule XI of the Rules of the House of Representatives, no findings or recommendations of the Committee on Government Operations were submitted to the Committee with reference to the subject matter specifically addressed by this legislation.

SECTION-BY-SECTION-ANALYSIS OF TITLE I OF H.R. 1720 AS REPORTED BY COMMITTEE ON EDUCATION AND LABOR

TITLE I—FAIR WORK OPPORTUNITIES PROGRAM

Sec. 101. Establishment of Fair Work Opportunities Program

This section amends section 402(a)(19) of the Social Security Act to require States to have in effect and to operate a Fair Work Opportunities Program approved by the Secretary of Labor as Meeting all of the requirements of section 416 and of part C of this title.

Subsection (b) amends part A of title IV of the Social Security Act to add a new section as follows:

Sec. 416. Fair Work Opportunities Program

Subsections (a) and (b) of this section set forth the purpose of the Fair Work Opportunities Program and require each State to participate.

Subsection (c) sets forth participation requirements, and provides that the State shall actively encourage "voluntary participants" (defined as those who are exempt from participation) to participate

in the program, and assure the Secretary of Labor that it is doing so. Those exempt from "mandatory participation" are set forth in paragraph (3) as follows: a person who is ill, incapacitated, or 60 years of age or over; a person who is needed in the home because of the illness or incapacity of another family member; a child under 16; a person working at least 20 hours per week; a pregnant woman; and a person who resides in an area of the State where the program is not offered.

Parents whose youngest child has attained 1 year of age but not 3 years of age could not be required to participate, but would be encouraged to voluntarily participate in the program if appropriate day care is provided and participation is part-time.

Parents of children 3 to 6 years of age may not be required to participate in work and training programs unless their children are provided with appropriate day care and the parent's participation in work or training is part-time. Parents of children 6 to 14 years old, inclusive, could be required to participate full-time if care is available while such children are not in school or otherwise cared for.

Paragraph (4) provides that if the parent or other caretaker, relative, or any dependent child in the family attends a school, an accredited post-secondary institution, or a course of vocational or technical training which can reasonably be expected to lead to employment, such attendance shall constitute satisfactory participation in the education or training component of the program so long as it continues, and the Family Support Plan shall so indicate. "Appropriate day care" is defined in paragraph (5).

Subsection (d) requires that special efforts shall be taken by the State to make the most effective use of its available resources to develop and provide needed services to certain groups most at risk of long-term dependency as set forth in subparagraphs (1) through (5).

Subsection (e) requires that first consideration shall be given to those (whether mandatory or voluntary participants) who actively seek to participate in program activities.

Subsection (f) requires the State to provide each applicant for family support supplements full information (verbally and in writing) about the opportunities offered by the Fair Work Opportunities Program under part C and the rights, responsibilities, and obligations of the participants in the program, and obligations of the State agency to provide necessary supportive services (including child care), description of transitional child services, and health coverage transitional options. It also sets forth requirements regarding detailed information to be provided to participants about quality child care services.

Subsection (g) establishes a job search component that an applicant for family support supplements may be required to participate in, or may be assisted with, after his or her initial assessment, education or training, and at other appropriate times as may be set forth in the agency/client agreement.

Subsection (h) sets forth the sanctions if a participant fails without good cause to comply with any requirement imposed with respect to his or her participation in the program.

Subsection (i) permits the State to institute a work supplementation program (as further described in this subsection) and provides that any State may reserve the sums which would otherwise be payable as family support supplements for the purpose of providing and subsidizing jobs (as defined in subparagraph (C)) for such participants.

Subsection (j) requires the Secretary to establish uniform reporting requirements under which each state will be required periodically to furnish such information and data as the Secretary may need to ensure that the purposes and provisions of this section are being effectively carried out and establishes minimum requirements.

Section (c) amends Part C of title IV of the Social Security Act as follows:

PART C—FAIR WORK OPPORTUNITIES FOR FAMILY SELF-SUFFICIENCY

Sec. 431. Definitions

This section defines the terms "recipient," "mandatory participant," "voluntary participant," "Secretary," "State work initiatives agency," "State public assistance agency," "postsecondary institution," and "appropriate day care."

Sec. 432. Authorization and Allocation of Funds

The sum of \$650,000,000 is authorized to be appropriated to carry out this title for fiscal year 1988, and such sums as may be necessary for each succeeding fiscal year.

From any amount appropriated under this part in excess of \$200,000,000 for any fiscal year, \$150,000,000 shall be reserved for purposes of providing child care under this part.

Five percent of the amount appropriated is reserved in fiscal years 1988 and 1989 for the Secretary to provide the States with technical assistance, planning grants, and demonstration programs. In each succeeding fiscal year, the same five percent shall be available by the Secretary to the States for demonstration programs and to those States which the Secretary determines are excelling in meeting the terms of the performance standards under section 438.

The remaining 95 percent shall be allocated by the Secretary among the States, taking into account each State's prior year allocations and the relative number of recipients in the various States during the most recent year for which satisfactory data are available, to carry out plans approved under section 434. Amounts allocated under this section to any State are in addition to any amount payable to such State for use under section 416 and this part pursuant to section 403(a)(4) (as amended by section 102 of the Family Welfare Reform Act of 1987).

This section also provides for a varying State matching requirement of 10, 20, or 30 percent of each State's allocation, to be provided in cash or in kind, to fund a portion of the costs of providing services under this part.

Sec. 433. State Work Initiatives Agency

This section requires the Governor of each State to designate a State work initiatives agency responsible for developing the State

plan and administering the Fair Work Opportunities Program under this part, the State public assistance agency, the State employment services agency, or another agency of State government.

Sec. 434. State Plans

In order to qualify for incentive grants and to receive an allocation for any fiscal year, the State is required to develop and submit to the Secretary a State plan which sets forth specified provisions and assurances.

The State plan shall be published and made reasonably available to the general public for public comments not later than 30 days before submission of the plan to the State job training coordinating council.

The State work initiatives agency shall submit the plan to the State job training coordinating council, to the Governor of the State, and to the Secretary.

Sec. 435. Assessment and Family Support Plan

The State work initiatives agency shall make an initial assessment of the educational, child care, and other supportive services needs, as well as the skills, prior work experience, and employability of each participant.

Assessments would include a review of the family situation and needs of the children. A family support plan would be developed for the family which would outline activities to be undertaken by family members and the State agency.

An agency/client agreement would be negotiated and entered into after the initial assessment and the development of the family support plan between the State work initiatives agency and the participant, and the family would be assigned a case assistant.

Each participant shall be afforded an opportunity for a period not to exceed 10 days to review the proposed agreement and also afforded an opportunity for a fair hearing in any dispute involving the agency/client agreement.

Sec. 436. Comprehensive Education, Training, Job, and Support Services

This section sets forth the comprehensive services that shall be offered under this part which includes job search services, education programs, training programs, necessary support services, counseling, information, referrals, job development, job placement, and follow-up services to assist participants in securing and retaining employment and advancement. Comprehensive services may also include transitional employment.

Participants shall be provided such related support services as are necessary to enable their participation in the program.

The State agency shall determine if the parent or caretaker is to be entitled to reimbursement for the costs of any appropriate day care reasonably necessary for his or her employment. The reimbursement is for a period of up to 12 months, under a sliding scale formula established by the State which shall be based on the family's ability to pay.

Participants lacking a high school diploma shall participate first in an educational program before engaging in any other programs or activities.

Attendance by any individual at an accredited postsecondary institution (or not less than a half-time basis) shall be deemed satisfactory participation under this part without participating in any other program or activity so long as the individual is making satisfactory progress in a program consistent with his or her employment goals.

State may operate a limited work experience program designed to provide marketable skills so as to move individuals into regular public or private employment. Unpaid work experience, in conjunction with training or education, may not exceed more than 30 hours per week for a period not to exceed 3 months with an extension of up to 3 months allowed as set forth in subparagraph (5).

Sec. 437. Transitional Employment

This section sets forth a description of "transitional employment", an individual's eligibility for transitional employment, and priorities to be given to certain transitional employment jobs.

Sec. 438. Performance Standards

This section sets forth the criteria and procedures for establishing performance standards as the basis for assessing the outcome of activities funded under the Act.

The Secretary shall establish an advisory committee to develop proposed performance standards that shall submit their proposal to the Office of Technology Assessment, for a review and comment period not to exceed 30 days.

Performance standards are to take into account differing benefit levels, economic conditions in the States, and factors related to targeting those most difficult to serve. Prior to the development of performance standards, each State should target services towards those most difficult to place in unsubsidized employment on the basis of work experience, duration of welfare dependency, and educational attainments.

Preliminary guidelines shall be established within 12 months and final standards shall be complete no later than 24 months after enactment of the Act.

The Secretary shall conduct evaluations of each State's progress toward the performance standards and shall provide incentive allocations to any State which the Secretary determines has met or exceeded such standards.

Sec. 439. General Requirements

This section sets forth general requirements regarding an individual's refusal to participate, and benefits and labor standards under the Act, the suitability of work assignments, a prohibition against mandatory workfare, and non-discrimination provisions under the Act.

Sec. 440. Use of Existing Resources

A State agency may reimburse other State or local agencies for services rendered to individuals under this part to the extent that

such services are not otherwise available on a nonreimbursable basis.

The State work initiatives agency may use services and information from private industry councils, and may enter into appropriate contracts and other arrangements with public and private agencies and organizations for the provision or conduct of any services or activities under this part.

Sec. 441. Reports, Recordkeeping, and Investigations

This section sets forth the recordkeeping and preparation of reports required by each State work initiative agency to permit the proper tracing of funds and the performance of its program.

Also, this section authorizes investigations into the use of funds received by recipients and the State work initiatives agency under this Act in order to evaluate compliance under the Act.

This section further requires State reports from the State work initiatives agency and establishes a procedure for review of complaints by the Secretary.

Sec. 442. Noncompliance and Corrective Actions

This section sets forth sanctions by the appropriate Secretary for noncompliance with this Act by a State agency.

Sec. 443. Demonstration Programs

Funds available to the Secretary under section 432(b) (from the 5 percent funding reservation) may be made available to States for use in conjunction with other resources for demonstration programs.

Sec. 444. Child Care Requirements

This section requires each State to: conduct an assessment of the adequacy and appropriateness of child care prior to or in conjunction with the expenditure of funds for child care; use existing funds to provide grants for the training of child care personnel; not reduce the level of standards applicable to child care provided within the State.

In addition each State is encouraged to work towards coordination of child care services with other relevant early childhood development programs so that these programs may provide full day and full year services to participating families and to use funds provided under this part to establish programs to provide grants to increase the supply of child care centers.

Sec. 102. Related Substantive Amendments

This section sets forth amendments to section 403(a) of the Social Security Act regarding federal matching rates, and to section 1115 of such Act regarding demonstration authority. This section also sets forth projects to test the effect of early childhood development programs and to test the elimination of the 100-hour rule under the AFDC-Unemployed Parents Program.

Sec. 103. Technical and Conforming Amendments

This section sets forth technical and conforming amendments.

Sec. 104. Effective Date

This section sets forth the effective date and transitional provisions applicable to the amendments to the Social Security Act made by title I of H.R. 1720.

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, changes in existing law made by title I of the bill, as reported, are shown as follows (existing law proposed to be omitted in enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

SOCIAL SECURITY ACT

* * * * *

TITLE IV—GRANTS TO STATES FOR AID AND SERVICES TO NEEDY FAMILIES WITH CHILDREN AND FOR CHILD-WELFARE SERVICES

* * * * *

PART A—AID TO FAMILIES WITH DEPENDENT CHILDREN

* * * * *

STATE PLANS FOR AID AND SERVICES TO NEEDY FAMILIES WITH CHILDREN

SEC. 402. (a) A State plan for aid and services to needy families with children must—

(1) * * *

* * * * *

[(19) provide—

[(A) that every individual, as a condition of eligibility for aid under this part, shall register for manpower services, training, employment, and other employment-related activities (including employment search, not to exceed eight weeks in total in each year) with the Secretary of Labor as provided by regulations issued by him, unless such individual is—

[(i) a child who is under age 16 or attending, full-time, an elementary, secondary, or vocational (or technical school;

[(ii) a person who is ill, incapacitated, or of advanced age;

[(iii) a person so remote from a work incentive project that his effective participation is precluded;

[(iv) a person whose presence in the home is required because of illness or incapacity of another member of the household;

[(v) the parent or other relative of a child under the age of six who is personally providing care for the

child with only very brief and infrequent absences from the child;

[(vi) the parent or other caretaker of a child who is deprived of parental support or care by reason of the death, continued absence from the home, or physical or mental incapacity of a parent, if another adult relative is in the home and not excluded by clause (i), (ii), (iii), or (iv) of this subparagraph (unless he has failed to register as required by this subparagraph, or has been found by the Secretary of Labor to have refused without good cause to participate under a work incentive program or accept employment as described in subparagraph (F) of this paragraph;

[(vii) a person who is working not less than 30 hours per week;

[(viii) the parent of a child who is deprived of parental support or care by reason of the unemployment of a parent, if the other parent (who is the principal earner, as defined in section 407(d)) is not excluded by the preceding clauses of this subparagraph; or

[(ix) a woman who is pregnant if it has been medically verified that the child is expected to be born in the month in which such registration would otherwise be required or within the 3-month period immediately following such month; and that any individual referred to in clause (v) shall be advised of his or her option to register, if he or she so desires, pursuant to this paragraph, and shall be informed of the child care services (if any) which will be available to him or her in the event he or she should decide so to register;

[(B) that aid to families with dependent children under the plan will not be denied by reason of such registration or the individual's certification to the Secretary of Labor under subparagraph (G) of this paragraph, or by reason of an individual's participation on a project under the program established by section 432(b)(2) or (3);

[(C) for arrangements to assure that there will be made a non-Federal contribution to the work incentive programs established by part C by appropriate agencies of the State or private organizations of 10 per centum of the cost of such programs, as specified in section 435(b);

[(D) that (i) training incentives authorized under section 434 shall be disregarded in determining the needs of an individual under paragraph (7), and (ii) in determining such individual's needs the additional expenses attributable to his participation in a program established by section 432(b)(2) or (3) shall be taken into account;

[(F) that if (and for such period as is prescribed under joint regulations of the Secretary and the Secretary of Labor) any child, relative or individual has been found by the Secretary of Labor under section 433(g) to have refused without good cause to participate under a work incentive program established by part C with respect to which the Secretary of Labor has determined his participation is con-

sistent with the purposes of such part C, or to have refused without good cause to accept employment in which he is able to engage which is offered through the public employment offices of the State, or is otherwise offered by an employer if the offer of such employer is determined, after notification by him, to be a bona fide offer of employment—

[(i) if the relative makes such refusal, such relative's needs shall not be taken into account in making the determination under paragraph (7), and aid for any dependent child in the family in the form of payments of the type described in section 406(b)(2) (which in such a case shall be without regard to clauses (A) through (D) thereof) or section 472 will be made unless the State agency, after making reasonable efforts, is unable to locate an appropriate individual to whom such payments can be made;

[(ii) if the parent who has been designated as the principal earner, for purposes of section 407, makes such refusal aid will be denied to all members of the family;

[(iii) aid with respect to a dependent child will be denied if a child who is the only child receiving aid in the family makes such refusal;

[(iv) if there is more than one child receiving aid in the family, aid for any such child will be denied (and his needs will not be taken into account in making the determination under paragraph (7)) if that child makes such refusal; and

[(v) if such individual makes such refusal, such individual's needs shall not be taken into account in making the determination under paragraph (7);

[(G) that the State agency will have in effect a special program which (i) will be administered by a separate administrative unit (which will, to the maximum extent feasible, be located in the same facility as that utilized for the administration of programs established pursuant to section 432(b) (1), (2), or (3)) and the employees of which will, to the maximum extent feasible, perform services only in connection with the administration of such program, (ii) will provide (through arrangements with others or otherwise) for individuals who have been registered pursuant to subparagraph (A) of this paragraph (I) in accordance with the order of priority listed in section 433(a), such health, vocational rehabilitation, counseling, child care, and other social and supportive services as are necessary to enable such individuals to accept employment or receive manpower training provided under section 432(b) (1), (2), or (3), and will, when arrangements have been made to provide necessary supportive services, including child care, certify to the Secretary of Labor those individuals who are ready for employment or training under section 432(b) (1), (2), or (3), (II) such social and supportive services as are necessary to enable such individuals as determined appropriate by the

Secretary of Labor actively to engage in other employment-related (including but not limited to employment search) activities, as well as timely payment for necessary employment search expenses, and (III) for a period deemed appropriate by the Secretary of Labor after such an individual accepts employment, such social and supportive services as are reasonable and necessary to enable him to retain such employment, (iii) will participate in the development of operational and employability plans under section 433(b); and (iv) provides for purposes of clause (ii) that, when more than one kind of child care is available, the mother may choose the type, but she may not refuse to accept the child care services if they are available; and

[(H) that an individual participating in employment search activities shall not be referred to employment opportunities which do not meet the criteria for appropriate work and training to which an individual may otherwise be assigned under section 432(b) (1), (2), or (3);]

(19) provide that the State has in effect and operation a Fair Work Opportunities Program approved by the Secretary of Labor as meeting all of the requirements of section 416 and of part C of this title;

* * * * *

[(35) at the option of the State, provide—

[(A) that as a condition of eligibility for aid under the State plan of any individual claiming such aid who is required to register pursuant to paragraph (19)(A) (or who would be required to register under paragraph (19)(A) but for clause (iii) thereof), including all such individuals or only such groups, types, or classes thereof as the State agency may designate for purposes of this paragraph, such individual will be required to participate in a program of employment search—

[(i) beginning at the time he applies for such aid (or an application including his need is filed) and continuing for a period (prescribed by the State) of not more than eight weeks (but this requirement may not be used as a reason for any delay in making a determination of an individual's eligibility for aid or in issuing a payment to or in behalf of any individual who is otherwise eligible for such aid); and

[(ii) at such time or times after the close of the period prescribed under clause (i) as the State agency may determine but not to exceed a total of 8 weeks in any 12 consecutive months;

[(B) that any individual participating in a program of employment search under this paragraph will be furnished such transportation and other services, or paid (in advance or by way of reimbursement) such amounts to cover transportation costs and other expenses reasonably incurred in meeting requirements imposed on him under this paragraph, as may be necessary to enable such individual to participate in such program; and

[(C) that, in the case of an individual who fails without good cause to comply with requirements imposed upon him under this paragraph, the sanctions imposed by paragraph (19)(F) shall be applied in the same manner as if the individual had made a refusal of the type which would cause the provisions of such paragraph (19)(F) to be applied (except that the State may at its option, for purposes of this paragraph, reduce the period for which such sanctions would otherwise be in effect);]

* * * * *

PAYMENT TO STATES

SEC. 403. (a) From the sums appropriated therefor, the Secretary of the Treasury shall pay to each State which has an approved plan for aid and services to needy families with children, for each quarter, beginning with the quarter commencing October 1, 1958—

(1) * * *

* * * * *

(3) in the case of any State, an amount equal to the sum of the following proportions of the total amounts expended during such quarter as found necessary by the Secretary for the proper and efficient administration of the State plan—

(A) 100 percent of so much of such expenditures as are for the costs of the implementation and operation of the immigration status verification system described in section 1137(d),

(B) 90 per centum of so much of the sums expended during such quarter as are attributable to the planning, design, development, or installation of such statewide mechanized claims processing and information retrieval systems as (i) meet the conditions of section 402(a)(30), and (ii) the Secretary determines are likely to provide more efficient, economical, and effective administration of the plan and to be compatible with the claims processing and information retrieval systems utilized in the administration of State plans approved under title XIX, and State programs with respect to which there is Federal financial participation under title XX, [and]

(C) *one-half of so much of such expenditures as are incurred in connection with the administration of the programs established under section 416 and part C, and*

[(C)] (D) one-half of the remainder of such expenditures [(including as expenditures under this subparagraph the value of any services furnished, and the amount of any payments made (to cover expenses incurred by individuals under a program of employment search), under section 402(a)(35)(B)),].

except that no payment shall be made with respect to amounts expended in connection with the provision of any service described in section 2002(a) of this Act [other than services furnished under section 402(a)(35)(B) (as described in the parenthetical phrase in subparagraph (C)), and other than services

the provision of which is required by section 402(a)(19) to be included in the plan of the State, or which is a service provided in connection with a community work experience program or work supplementation program under section 409 or 414; and] *other than services furnished under section 416 or under section 402(g); and*

(4) in the case of any State, an amount equal to 65 percent of the total amount expended during such quarter (other than administrative expenditures) for the programs established pursuant to section 416 and part C; and

* * * * *

[(c) Notwithstanding any other provision of this Act, the Federal share of assistance payments under this part shall be reduced with respect to any State for any fiscal year after June 30, 1973, by one percentage point for each percentage point by which the number of individuals certified, under the program of such State established pursuant to section 402(a)(19)(G), to the local employment office of the State as being ready for employment or training under section 432(b)(1), (2), or (3), is less than 15 per centum of the average number of individuals in such State who, during such year, are required to be registered pursuant to section 402(a)(19)(A).

[(d)(1) Notwithstanding any provision of subsection (a)(3), the applicable rate under such subsection shall be 90 per centum with respect to social and supportive services provided pursuant to section 402(a)(19)(G). In determining the amount of the expenditures made under a State plan for any quarter with respect to social and supportive services pursuant to section 402(a)(19)(G), there shall be included the fair and reasonable value of goods and services furnished in kind from the State or any political subdivision thereof.

[(2) Of the sums authorized by section 401 to be appropriated for the fiscal year ending June 30, 1973, not more than \$750,000,000 shall be appropriated to the Secretary for payments with respect to services to which paragraph (1) applies.]

* * * * *

DEPENDENT CHILDREN OF UNEMPLOYED PARENTS

SEC. 407. (a) * * *

(b) The provisions of subsection (a) shall be applicable to a State if the State's plan approved under section 402—

(1) * * *

(2) provides—

(A) for such assurances as will satisfy the Secretary that unemployed parents of dependent children as defined in subsection (a) [will be certified to the Secretary of Labor as provided in section 402(a)(19) within 30 days] *will participate or apply for participation in the program established under section 416 within 30 days after receipt of aid with respect to such children;*

* * * * *

(C) for the denial of aid to families with dependent children to any child or relative specified in subsection (a)—

(i) if and for so long as such child's parent described in paragraph (1)(A) **is not currently registered pursuant to such section for the work incentive program established under part C of this title, or, if he is exempt under such section by reason of clause (iii) thereof or no such program in which he can effectively participate has been established or provided under section 432(a), is not registered** *is not currently participating in the program established under section 416, unless such parent is exempt under section 416(c)(3), with the public employment offices in the State, and*

* * * * *

(c) Notwithstanding any other provisions of this section, expenditures pursuant to this section shall be excluded from aid to families with dependent children (A) where such expenditures are made under the plan with respect to any dependent child as defined in subsection (a), (i) for any part of the 30-day period referred to in subparagraph (A) of subsection (b)(1), or (ii) for any period prior to the time when the parent satisfies subparagraph (B) of such subsection, and (B) if, and for as long as, no action is taken (after the 30-day period referred to in subparagraph (A) of subsection (b)(2)), under the program therein specified, **to certify such parent to the Secretary of Labor pursuant to section 402(a)(19).** *to participate in the program established under section 416.*

(d) For purposes of this section—

(1) the term "quarter of work" with respect to any individual means a calendar quarter in which such individual received earned income of not less than \$50 (or which is a "quarter of coverage" as defined in section 213(a)(2)), or in which such individual participated in a community work experience program under section **409, or the work incentive program established under part C;** *416 (J);*

* * * * *

[(e) The Secretary and the Secretary of Labor shall jointly enter into an agreement with each State which is able and willing to do so for the purposes of (1) simplifying the procedures to be followed by unemployed parents and other unemployed persons in such State in registering pursuant to section 402(a)(19) for the work incentive program established by part C of this title and in registering with public employment offices (under this section and otherwise) or in connection with applications for unemployment compensation, by reducing the number of locations or agencies where such persons must go in order to register for such programs and in connection with such applications, and (2) providing where possible for a single registration satisfying this section and the requirements of both the work incentive program and the applicable unemployment compensation laws.]

[COMMUNITY WORK EXPERIENCE PROGRAMS]

[SEC. 409. (a)(1) Any State which chooses to do so may establish a community work experience program in accordance with this sec-

tion. The purpose of the community work experience program is to provide experience and training for individuals not otherwise able to obtain employment, in order to assist them to move into regular employment. Community work experience programs shall be designed to improve the employability of participants through actual work experience and training and to enable individuals employed under community work experience programs to move promptly into regular public or private employment. The facilities of the State public employment offices may be utilized to find employment opportunities for recipients under this program. Community work experience programs shall be limited to projects which serve a useful public purpose in fields such as health, social service, environmental protection, education, urban and rural development and redevelopment, welfare, recreation, public facilities, public safety, and day care. To the extent possible, the prior training, experience, and skills of a recipient shall be utilized in making appropriate work experience assignments. A community work experience program established under this section shall provide—

[(A) appropriate standards for health, safety, and other conditions applicable to the performance of work;

[(B) that the program does not result in displacement of persons currently employed, or the filling of established unfilled position vacancies;

[(C) reasonable conditions of work, taking into account the geographic region, the residence of the participants, and the proficiency of the participants;

[(D) that participants will not be required, without their consent, to travel an unreasonable distance from their homes or remain away from their homes overnight;

[(E) that the maximum number of hours in any month that a participant may be required to work is that number which equals the amount of aid payable with respect to the family of which such individual is a member under the State plan approved under this part, divided by the greater of the Federal or the applicable State minimum wage; and

[(F) that (i) except as provided in clause (ii) provision will be made for transportation and other costs, not in excess of an amount established by the Secretary, reasonably necessary and directly related to participation in the program, and (ii) to the extent that the State is unable to provide for the costs involved through the furnishing of services directly to the individuals participating in the program, participants who are recipients of aid under the State's plan approved under section 402 will instead be reimbursed for transportation costs directly related to their participation in the program (in amounts equal to the cost of transportation by the most appropriate means as determined by the State agency), and for day care expenses directly attributable to such participation (in amounts determined by the State agency to be reasonable, necessary, and cost-effective but not in excess of the comparable maximum day care deduction allowed under section 402(a)(8)(A)(iii) for recipients of aid under the plan generally); and amounts paid as reimbursement to participants under clause (i) or (ii) shall be considered, for purposes of section 403(a), to be expenditures made for the

proper and efficient administration of the State's plan approved under section 402.

[(2) Nothing contained in this section shall be construed as authorizing the payment of aid under this part as compensation for work performed, nor shall a participant be entitled to a salary or to any other work or training expense provided under any other provision of law by reason of his participation in a program under this section.

[(3) Nothing in this part or part C, or in any State plan approved under this part, shall be construed to prevent a State from operating (on such terms and conditions and in such cases as the State may find to be necessary or appropriate, whether or not such terms, conditions, and cases are consistent with section 402(a)(19) or part C) a community work experience program in accordance with this section.

[(4)(A) Participants in community work experience programs under this section may, subject to subparagraph (B), perform work in the public interest (which otherwise meets the requirements of this section) for a Federal office or agency with its consent, and, notwithstanding section 1342 of title 31, United States Code, or any other provision of law, such agency may accept such services, but such participants shall not be considered to be Federal employees for any purpose.

[(B) The State agency shall provide appropriate workers' compensation and tort claims protection to each participant performing work for a Federal office or agency pursuant to subparagraph (A) on the same basis as such compensation and protection are provided to other participants in community work experience programs in the State.

[(b)(1) Each recipient of aid under the plan who is registered under section 402(a)(19) shall participate, upon referral by the State agency, in a community work experience program unless such recipient is currently employed for no fewer than 80 hours a month and is earning an amount not less than the applicable minimum wage for such employment.

[(2) In addition to an individual described in paragraph (1), the State agency may also refer, for participation in programs under this section, an individual who would be required to register under section 402(a)(19)(A) but for the exception contained in clause (v) of such section (but only if the child for whom the parent or relative is caring is not under the age of three and child care is available for such child), or in clause (iii) of such section.

[(3) The chief executive officer of the State shall provide coordination between a community work experience program operated pursuant to this section, any program of employment search under section 402(a)(35), and the work incentive program operated pursuant to part C so as to insure the job placement will have priority over participation in the community work experience program, and that individuals eligible to participate in more than one such program are not denied aid under the State plan on the grounds of failure to participate in one such program if they are actively and satisfactorily participating in another. The chief executive officer of the State may provide that part-time participation in more than one such program may be required where appropriate.

[(c) The provisions of section 402(a)(19)(F) shall apply to any individual referred to a community work experience program who fails to participate in such program in the same manner as they apply to an individual to whom section 402(a)(19) applies.

[(d) In the case of any State which makes expenditures in the form described in subsection (a) under its State plan approved under section 402, expenditures for the proper and efficient administration of the State plan, for purposes of section 403(a)(3), may not include the cost of making or acquiring materials or equipment in connection with the work performed under a program referred to in subsection (a) or the cost of supervision of work under such program, and may include only such other costs attributable to such programs as are permitted by the Secretary.]

* * * * *

[WORK SUPPLEMENTATION PROGRAM]

[SEC. 414. (a) It is the purpose of this section to allow a State to institute a work supplementation program under which such State, to the extent such State determines to be appropriate, may make jobs available, on a voluntary basis, as an alternative to aid otherwise provided under the State plan approved under this part.

[(b)(1) Notwithstanding the provisions of section 406 or any other provision of law, Federal funds may be paid to a State under this part, subject to the provisions of this section, with respect to expenditures incurred in operating a work supplementation program under this section.

[(2) Nothing in this part or part C, or in any State plan approved under this part, shall be construed to prevent a State from operating (on such terms and conditions and in such cases as the State may find to be necessary or appropriate, whether or not such terms, conditions, and cases are consistent with section 402(a)(19) or part (C) a work supplementation program in accordance with this section.

[(3) Notwithstanding section 402(a)(23) or any other provision of law, a State may adjust the levels of the standards of need under the State plan as the State determines to be necessary and appropriate for carrying out a work supplementation program under this section.

[(4) Notwithstanding section 402(a)(1) or any other provision of law, a State operating a work supplementation program under this section may provide that the needs standards in effect in those areas of the State in which such program is in operation may be different from the needs standards in effect in the areas in which such program is not in operation, and such State may provide that the needs standards for categories of recipients of aid may vary among such categories as the State determines to be appropriate on the basis of ability to participate in the work supplementation program.

[(5) Notwithstanding any other provision of law, a State may make further adjustments in the amounts of aid paid under the plan to different categories of recipients (as determined under paragraph (4)) in order to offset increases in benefits from needs related programs (other than the State plan approved under this

part) as the State determines to be necessary and appropriate to further the purposes of the work supplementation program.

[(6) Notwithstanding section 402(a)(8) or any other provision of law, a State operating a work supplementation program under this section (A) may reduce or eliminate the amount of earned income to be disregarded under the State plan as the State determines to be necessary and appropriate to further the purposes of the work supplementation program, and (B) during one or more of the first nine months of an individual's employment pursuant to a program under this section, may apply to the wages of the individual the provisions of section 402(a)(8)(A)(iv) without regard to the provisions of (B)(ii)(II) of such section.

[(c)(1) A work supplementation program operated by a State under this section shall provide that any individual who is an eligible individual (as determined under paragraph (2)) may choose to take a supplemented job (as defined in paragraph (3)) to the extent supplemented jobs are available under the program. Payments by the State to individuals or to employers under the program shall be expenditures incurred by the State for aid to families with dependent children, except as limited by subsection (d).

[(2) For purposes of this section, an eligible individual is an individual who is in a category which the State determines shall be eligible to participate in the work supplementation program, and who would, at the time of his placement in such job, be eligible for assistance under the State plan if such State did not have a work supplementation program in effect and had not altered its State plan accordingly, as such State plan was in effect in May 1981, or as modified thereafter as required by Federal law.

[(3) For purposes of this section, a supplemental job is—

[(A) a job position provided to an eligible individual by the State or local agency administering the State plan under this part; or

[(B) a job position provided to an eligible individual by any other employer for which all or part of the wages are paid by such State or local agency.

A State may provide or subsidize any job position under the program as such State determines to be appropriate, but acceptance of any such position shall be voluntary.

[(d) The amount of the Federal payment to a State under section 403 for expenditures incurred in making payments to individuals and employers under a work supplementation shall not exceed an amount equal to the amount which would otherwise be payable under such section if the family of each individual employed in the program established in such State under this section had received the maximum amount of aid payable under the State plan to such a family with no income (without regard to adjustments under subsection (b) of this section) for a period of months equal to the lesser of (1) nine months, or (2) the number of months in which such individual was employed in such program.

[(e)(1) Nothing in this section shall be construed as requiring a State or local agency administering the State plan to provide employee status to any eligible individual to whom it provides a job position under the work supplementation program, or with respect

to whom it provides all or part of the wages paid to such individual by another entity under such program.

[(2) Nothing in this section shall be construed as requiring such State or local agency to provide that eligible individuals filling job positions provided by other entities under such program be provided employee status by such entity during the first 13 weeks during which they fill such position.

[(3) Wages paid under a work supplementation program shall be considered to be earned income for purposes of any provision of law.

[(f) Any work supplementation program operated by a State shall be administered by—

[(1) the agency designated to administer or supervise the administration of the State plan under section 402(a)(3); or

[(2) the agency (if any) designated to administer the community work experience program under section 409.

[(g) Any State which chooses to operate to work supplementation program under this section may choose to provide that any individual who participates in such program, and any child or relative of such individual (or other individual living in the same household as such individual) who would be eligible for aid under the State plan approved under this part if such State did not have a work supplementation program, shall be considered individuals receiving aid under the State plan approved under this part for purposes of eligibility for medical assistance under the State plan approved under title XIX.

[(h) No individual receiving a grant under the State plan shall be excused, by reason of the fact that such State has a work supplementation program, from any requirement of this part or part C relating to work requirements (except during any period in which such individual is employed under such work supplementation program).]

* * * * *

FAIR WORK OPPORTUNITIES PROGRAM

SEC. 416. (a) PURPOSE.—It is the purpose of the Fair Work Opportunities Program required under subsection (b) to assure that needy children and parents obtain the education, training, and employment which will help them avoid long-term welfare dependence.

(b) ESTABLISHMENT AND OPERATION OF PROGRAMS.—As a condition of its participation in the Family Support Program under this part, each State shall establish and operate a Fair Work Opportunities Program approved by the Secretary of Labor as meeting the requirements of part C of this title.

(c) PARTICIPATION.—(1) Each adult recipient of family support supplements in the State who is not exempt under paragraph (3) shall be required to participate in the Fair Work Opportunities Program under part C to the extent that the program is available in the political subdivision where he or she resides and State resources otherwise permit. The State public assistance agency (as such term is defined in section 431(6)) shall take such action as may be necessary to ensure that each recipient of such supplements (including each such recipient who is exempt under paragraph (3)) is notified

and fully informed concerning the education, training, and work opportunities offered under the program.

(2) The State may require participation in the program under part C by recipients who are not exempt under paragraph (3) (hereinafter referred to as 'mandatory participants'), and shall also extend the opportunity to participate in the program to recipients who are exempt under paragraph (3) (hereinafter referred to as 'voluntary participants'). The State shall actively encourage such exempt recipients to participate in the program, and shall from time to time furnish to the Secretary of Labor appropriate assurances that it is doing so.

(3) The following are exempt from mandatory participation in the program under part C—

(A) an individual who is ill, incapacitated, or 60 years of age or over;

(B) an individual who is needed in the home because of the illness or incapacity of another family member;

(C) the parent or other caretaker relative of a child under 3 years of age (subject to the last sentence of this paragraph); except that the State shall permit and encourage participation in the program in the case of parents and other caretaker relatives of children who have attained 1 year of age but who have not attained 3 years of age, where appropriate day care is guaranteed to the relative involved and his or her participation is on a part-time basis;

(D) the parent or other caretaker relative of a child who has attained 3 years of age but not 6 years of age unless appropriate day care is guaranteed to such relative and his or her participation is on a part-time basis;

(E) the parent or other caretaker relative of a child who has attained 6 years of age but not 15 years of age unless appropriate day care is guaranteed to such relative during any period while such child is not in school or is not otherwise receiving care during the time such parent or relative is participating in the program under part C;

(F) an individual who is working 20 or more hours a week;

(G) a child who is under the age of 16 or attending, full time, an elementary, secondary, or vocational (or technical) school, except in the case of a minor parent with respect to whom the State has exercised its option under section 417(c);

(H) a woman who is pregnant; and

(I) an individual who resides in an area of the State where the program is not available.

In the case of a two-parent family to which section 407 applies, the exemption under subparagraph (C), (D), or (E) shall apply only to one parent or other caretaker relative; but the State may at its option make such exemption inapplicable in any such case to both of the parents or relatives involved (and require the participation in the program of one of them on a full-time basis) if appropriate child care is guaranteed in accordance with the applicable provisions of such subparagraph.

(4) If the parent or other caretaker relative or any dependent child in the family attends (in good standing) a school, an accredited postsecondary institution, or a course of vocational or technical

training which can reasonably be expected to lead to employment, at the time he or she would otherwise commence participation (as a mandatory participant or voluntary participant) in the program under part C, such attendance shall constitute satisfactory participation in the educational or training component of the program (by that parent, caretaker, or child) so long as it continues; and the family support plan shall so indicate. The costs of such school or training shall not constitute federally reimbursable expenses for purposes of section 403 (but this sentence shall not prevent the State from providing or making reimbursement for the cost of day care and other supportive services which are necessary for such attendance in accordance with section 402(g)).

(5) For purposes of paragraph (3), the term 'appropriate day care' means only day care that (A) provides to the parent or caregiver, a safe, healthy, supportive setting appropriate for the age and individual needs of their children; (B) provides unlimited parental access; (C) posts in clear public view the appropriate telephone number for filing any complaint regarding child care quality, or health or safety violations; and (D) complies fully with all local health and fire safety standards (as required by section 402(g)(1)(B) of this Act as amended by title II of the Family Welfare Reform Act of 1987).

(d) **SPECIAL EFFORTS.**—With the objective of making the most effective use of resources available to a State, special efforts shall be undertaken under this section and part C of this title to develop and provide needed services and activities for—

(1) families with a teenage parent, and families with a parent who was under 18 years of age when the first child was born;

(2) families that have been receiving aid to families with dependent children or family support supplements continuously for two or more years;

(3) families with one or more children under 6 years of age;

(4) families with a parent who has not been employed during the preceding 12 months or who lacks a high school diploma or equivalent, or has special educational needs; and

(5) families with older children in which the youngest child is within 2 years of being ineligible for family support supplements because of age.

(e) **PRIORITIES.**—To the extent that the resources available to a State are not adequate to accommodate the provision of services to all mandatory participants and voluntary participants under this section and part C, first consideration shall be given to those (whether mandatory or voluntary participants) who actively seek to participate in program activities.

(f) **ORIENTATION.**—(1)(A) During orientation, the State public assistance agency shall provide each applicant for family support supplements full information (verbally and in writing) about the opportunities offered by the Fair Work Opportunities Program under part C and the rights, responsibilities, and obligations of participants in the program, the obligations of the State agency to provide necessary supportive services (including child care), and descriptions of transitional child care services and health coverage transitional options.

(B) As part of such orientation, the local resource and referral agency, or (if resource and referral agencies are not in place) an agency representative knowledgeable about child care, shall also

provide (i) information on the type and locations of quality child care services available within the geographical area reasonably accessible to applicants, (ii) assistance to such recipients to select developmentally appropriate quality child care services, and (iii) assistance to such recipients to make arrangements to obtain such child care services.

(C) The information described in subparagraphs (A) and (B) shall also be provided to all current recipients of family support supplements within six months after regulations are issued to implement this section and shall also be available at any time to recipients of family support supplements who did not receive orientation under this subsection at the time of their initial application for such supplements or who need additional information about the program.

(2) During the orientation described in paragraph (1), each applicant for or recipient of family support supplements shall be informed of the exemptions provided under subsection (c)(3), and the consequences of a refusal to participate in the program if not so exempt. Whether or not such applicant or recipient is so exempt, he or she shall be informed of the opportunity to receive first consideration for services by actively seeking to participate in the program and shall be given appropriate opportunities to indicate his or her desire to participate at the end of the orientation session. Each such applicant or recipient shall also be notified in writing, within a month after the orientation, of the opportunity to indicate his or her desire to participate in the program, including a clear description of how to enter the program.

(g) **JOB SEARCH.**—Job search by an applicant for family support supplements may be required or assisted while his or her application is being processed. During orientation, each applicant shall be informed that job search by a participant may be required or assisted after his or her initial assessment, after his or her education or training, and at other appropriate times during his or her participation in the program under part C, as may be set forth in the agency-client agreement entered into between such individual and the State work initiatives agency under part C and as otherwise provided by such State agency. After 8 weeks of job search activity without obtaining a job, a participant shall not be required to continue in such job search activity, but shall be provided education, training, or other activities designed to improve his or her prospects for employment. No requirement imposed by the State under the preceding provisions of this subsection may be used as a reason for any delay in making a determination of an individual's eligibility for family support supplements or in issuing a payment to or on behalf of any individual who is otherwise eligible for such supplements.

(h) **SANCTIONS.**—(1) If any mandatory participant in the program under part C fails without good cause to comply with any requirement imposed with respect to his or her participation in such program—

(A) the needs of such participant (whether or not section 407 applies) shall not be taken into account in making the determination with respect to his or her family under section 402(a)(7), and

(B) if such participant is a member of a family which is eligible for family support supplements by reason of section 407, and

his or her spouse is not participating in the program, the needs of such spouse shall also not be taken into account in making such determination.

The sanction described in subparagraph (A) (and the sanction described in subparagraph (B) if applicable) shall continue until the participant's failure to comply ceases; except that such sanction shall continue for a minimum of 3 months if the failure to comply is the participant's second or a subsequent such failure.

(2) No sanction shall be imposed under paragraph (1) until appropriate notice thereof has been provided to the participant involved, and until conciliation efforts have been made to discuss and resolve the participant's failure to comply and to determine whether or not good cause for such failure existed. In any event, when a failure to comply has continued for 3 months, the State public assistance agency shall promptly remind the participant in writing of his or her option to end the sanction by terminating such failure.

(3) If a voluntary participant drops out of the program under part C after having commenced participation in such program, he or she shall thereafter be given no priority so long as other mandatory or voluntary participants are actively seeking to participate under subsection (e).

(i) **WORK SUPPLEMENTATION PROGRAMS.**—(1) Any State may institute a work supplementation program under which such State, to the extent it considers appropriate, may reserve the sums which would otherwise be payable to participants in the program under this section as family support supplements under the State plan approved under this part and use such sums instead for the purpose of providing and subsidizing jobs for such participants (as described in paragraph (3)(C)(i) and (ii)), as an alternative to the supplements which would otherwise be so payable to them under such plan.

(2)(A) Notwithstanding any other provision of law, Federal funds may be paid to a State under this part, subject to the provisions of this section, with respect to expenditures incurred in operating a work supplementation program under this subsection.

(B) Nothing in this part, or in any State plan approved under this part, shall be construed to prevent a State from operating (on such terms and conditions and in such cases as the State may find to be necessary or appropriate) a work supplementation program in accordance with the provisions of this Act applicable to this subsection.

(C) Notwithstanding any other provision of law, a State may adjust the levels of the standards of need under the State plan to the extent the State determines such adjustments to be necessary and appropriate for carrying out a work supplementation program under this subsection.

(D) Notwithstanding any other provision of law, a State operating a work supplementation program under this subsection may provide that the need standards in effect in those areas of the State in which such program is in operation may be different from the need standards in effect in the areas in which such program is not in operation, and such State may provide that the need standards for categories of recipients of family support supplements may vary among such categories to the extent the State determines to be ap-

propriate on the basis of ability to participate in the work supplementation program.

(E) Notwithstanding any other provision of law, a State may make further adjustments in the amounts of the family support supplements paid under the plan to different categories of recipients (as determined under subparagraph (D)) in order to offset increases in benefits from needs-related programs (other than the State plan approved under this part), to the extent the State determines such adjustments to be necessary and appropriate to further the purposes of the work supplementation program.

(F) In determining the amounts to be reserved and used for providing and subsidizing jobs under this subsection as described in paragraph (1), the State may use a sampling methodology.

(G) Notwithstanding section 402(a)(8) or any other provision of law, a State operating a work supplementation program under this subsection may reduce or eliminate the amount of earned income to be disregarded under the State plan to the extent the State determines such a reduction or elimination to be necessary and appropriate to further the purposes of the work supplementation program.

(3)(A) A work supplementation program operated by a State under this subsection shall provide that any individual who is an eligible individual (as determined under subparagraph (B)) shall take a supplemented job (as defined in subparagraph (C)) to the extent that supplemented jobs are available under the program. Payments by the State to individuals or employers under the program shall be treated as expenditures incurred by the State for family support supplements under the State plan for purposes of section 403(a) (1) and (2), except as limited by paragraph (4) of this section.

(B) For purposes of this subsection, an eligible individual is an individual (not exempt under subsection (c)(3)) who is in a category which the State determines should be eligible to participate in the work supplementation program, and who would, at the time of his or her placement in the job involved, be eligible for family support supplements under the State plan if such State did not have a work supplementation program in effect.

(C) For purposes of this subsection, a supplemented job is—

- (i) a job provided to an eligible individual by the State work initiatives agency under part C; or
- (ii) a job provided to an eligible individual by any other employer for which all or part of the wages are paid by such agency.

A State may provide or subsidize any job under the program under this subsection which such State determines to be appropriate.

(D) At the option of the State, individuals who hold supplemented jobs under a State's work supplementation program shall be exempt from the retrospective budgeting requirements imposed pursuant to section 402(a)(13)(A)(ii) (and the amount of the aid which is payable to the family of such individual for any month, or which would be so payable but for the family's participation in the work supplementation program, shall be determined on the basis of the income and other relevant circumstances in that month).

(E) Section 439 shall apply with respect to assignments of eligible individuals to supplemented jobs under this subsection.

(4) The amount of the Federal payment to a State under section 403(a) for expenditures incurred in making payments to individuals and employers under a work supplementation program under this subsection shall not exceed an amount equal to the amount which would otherwise be payable under paragraph (1) or (2) of such section if the family of each individual employed in the program had received the maximum amount of family support supplements payable under the State plan to such a family with no income (without regard to adjustments under paragraph (2) of this subsection) for a period of months equal to the lesser of (A) nine months, or (B) the number of months in which such individual was employed in such program. Expenditures so incurred shall be considered to have been made for family support supplements under the State plan for purposes of section 403(a)(1) and (2).

(5) Wages paid under a work supplementation program shall be considered to be earned income for purposes of any provision of law.

(6) Any State which chooses to operate a work supplementation program under this subsection must provide that any individual who participates in such program, and any child or relative of such individual (or other individual living in the same household as such individual) who would be eligible for family support supplements under the State plan approved under this part if such State did not have a work supplementation program, shall be considered individuals receiving family support supplements under the State plan approved under this part for purposes of eligibility for medical assistance under the State plan approved under title XIX.

(j) **UNIFORM REPORTING REQUIREMENTS.**—The Secretary shall establish uniform reporting requirements under which each State will be required periodically to furnish such information and data as the Secretary may need to ensure that the purposes and provisions of this section are being effectively carried out, including at a minimum—

(1) the average monthly number of families participating in the program under this section, the types of such families,

(2) the amounts expended under the program (as family support supplements and otherwise) with respect to such families,

(3) the length of time for which such families are assisted child care cost for such families,

(4) the nature of child care arrangements for such families, and

(5) the numbers of children in each age group (infants, toddlers, preschool, and school age) receiving child care assistance. The information and data so furnished shall be separately stated with respect to each of the services and activities under this section.

[PART C—WORK INCENTIVE PROGRAM FOR RECIPIENTS OF AID UNDER STATE PLAN APPROVED UNDER PART A

[PURPOSE

[SEC. 430. The purpose of this part is to require the establishment of a program utilizing all available manpower services, including those authorized under other provisions of law, under which individuals receiving aid to families with dependent children will be furnished incentives, opportunities, and necessary services

in order for (1) the employment of such individuals in the regular economy, (2) the training of such individuals for work in the regular economy, and (3) the participation of such individuals in public service employment, thus restoring the families of such individuals to independence and useful roles in their communities. It is expected that the individuals participating in the program established under this part will acquire a sense of dignity, self-worth, and confidence which will flow from being recognized as a wage-earning member of society and that the example of a working adult in these families will have beneficial effects on the children in such families.

【APPROPRIATION

【SEC. 431. (a) There is hereby authorized to be appropriated to the Secretary of Health and Human Services for each fiscal year a sum sufficient to carry out the purposes of this part. The Secretary of Health and Human Services shall transfer to the Secretary of Labor from time to time sufficient amounts, out of the moneys appropriated pursuant to this section, to enable him to carry out such purposes.

【(b) Of the amounts expended from funds appropriated pursuant to subsection (a) for any fiscal year (commencing with the fiscal year ending June 30, 1973), not less than 33⅓ per centum thereof shall be expended for carrying out the program of on-the-job training referred to in section 432(b)(1)(B) and for carrying out the program of public service employment referred to in section 432(b)(3).

【(c) Of the sums appropriated pursuant to subsection (a) to carry out the provisions of this part for any fiscal year (commencing with the fiscal year ending June 30, 1973), not less than 50 percent shall be allotted among the States in accordance with a formula under which each State receives (from the total available for such allotment) an amount which bears the same ratio to such total as—

【(1) in the case of the fiscal year ending June 30, 1973, and the fiscal year ending June 30, 1974, the average number of recipients of aid to families with dependent children in such State during the month of January last preceding the commencement of such fiscal year bears to the average number of such recipients during such month in all the States; and

【(2) in the case of the fiscal year ending June 30, 1975, or in the case of any fiscal year thereafter, the average number of individuals in such State who, during the month of January last preceding the commencement of such fiscal year, are registered pursuant to section 402(a)(19)(A) bears to the average number of individuals in all States who, during such month, are so registered.

【ESTABLISHMENT OF PROGRAMS

【SEC. 432. (a) The Secretary of Labor (hereinafter in this part referred to as the Secretary) shall, in accordance with the provisions of this part, establish work incentive programs (as provided for in subsection (b) of this section) in each State and in each political subdivision of a State in which he determines there is a significant number of individuals who have attained age 16 and are receiving

aid to families with dependent children. In other political subdivisions, he shall use his best efforts to provide such programs either within such subdivisions or through the provision of transportation for such persons to political subdivisions of the State in which such programs are established.

[(b) Such programs shall include, but shall not be limited to, (1)(A) a program placing as many individuals as possible in employment, which may include intensive job search services, including participation in group job search activities, and (B) a program utilizing on-the-job training positions for others, (2) a program of institutional and work experience training for those individuals for whom such training is likely to lead to regular employment, and (3) a program of public service employment for individuals for whom a job in the regular economy cannot be found.

[(c) In carrying out the purposes of this part the Secretary may make grants to, or enter into agreements with, public or private agencies or organizations (including Indian tribes with respect to Indians on a reservation), except that no such grant or agreement shall be made to or with a private employer for profit or with a private nonprofit employer not organized for a public purpose for purposes of the work experience program established by clause (2) of subsection (b).

[(d) In providing the training and employment services and opportunities required by this part, the Secretary shall, to the maximum extent feasible, assure that such services and opportunities are provided by using all authority available under this or any other Act. In order to assure that the services and opportunities so required are provided, the Secretary (1) shall assure, when appropriate, that registrants under this part are referred for training and employment services under the Job Training Partnership Act, and (2) may use the funds appropriated under this part to provide programs required by this part through such other Acts to the same extent and under the same conditions (except as regards the Federal matching percentage) as if appropriated under such other Act and, in making use of the programs of other Federal, State, or local agencies (public or private), the Secretary may reimburse such agencies for services rendered to individuals under this part to the extent that such services and opportunities are not otherwise available on a nonreimbursable basis.

[(e) The Secretary shall take appropriate steps to assure that the present level of manpower services available under the authority of other statutes to recipients of aid to families with dependent children is not reduced as a result of programs under this part.

[(f)(1) The Secretary shall utilize the services of each private industry council (as established under the Job Training Partnership Act) to identify and provide advice on the types of jobs available or likely to become available in the service delivery area of such council.

[(2) The Secretary shall not conduct, in any area, institutional training under any program established pursuant to subsection (b) of any time which is not related to jobs of the type which are or are likely to become available in such area as determined by the Secretary after taking into account information provided by the private industry council for such area.

[OPERATION OF PROGRAM

[SEC. 433. (a) The Secretary shall provide a program of testing and counseling for all persons certified to him by a State, pursuant to section 402(a)(19)(G), and shall select those persons whom he finds suitable for the programs established by clauses (1) and (2) of section 432(b). Those not so selected shall be deemed suitable for the program established by clause (3) of such section 432(b) unless the Secretary finds that there is good cause for an individual not to participate in such program. The Secretary, in carrying out such program for individuals certified to him under section 402(a)(19)(G), shall accord priority to such individuals in the following order, taking into account employability potential: first, unemployed parents who are the principal earners (as defined in section 407); second, mothers, whether or not required to register pursuant to section 402(a)(19)(A), who volunteer for participation under a work incentive program; third, other mothers, and pregnant women, registered pursuant to section 402(a)(19)(A), who are under 19 years of age; fourth, dependent children and relatives who have attained age 16 and who are not in school or engaged in work or manpower training; and fifth, all other individuals so certified to him.

[(b)(1) For each State the Secretary shall develop jointly with the administrative unit of such State administering the special program referred to in section 402(a)(19)(G) a statewide operational plan.

[(2) The statewide operational plan shall prescribe how the work incentive program established by this part will be operated at the local level, and shall indicate (i) for each area within the State the number and type of positions which will be provided for training, for on-the-job training, and for public service employment, (ii) the manner in which information provided by the private industry council under the Job Training Partnership Act⁶⁸ for any such area will be utilized in the operation of such program, and (iii) the particular State agency or administrative unit thereof which will be responsible for each of the various activities and functions to be performed under such program. Any such operational plan for any State must be approved by the Secretary, the administrative unit of such State administering the special program referred to in section 402(a)(19)(G), and the regional joint committee (established pursuant to section 439) for the area in which State is located.

[(3) The Secretary shall develop an employability plan for each suitable person certified to him pursuant to section 402(a)(19)(G) which shall describe the education, training, work experience, and orientation which it is determined that such person needs to complete in order to enable to become self-supporting.

[(c) The Secretary shall make maximum use of services available from other Federal and State agencies and, to the extent not otherwise available on a nonreimbursable basis, he may reimburse such agencies for services rendered to persons under this part.

[(d) To the extent practicable and where necessary, work incentive programs established by this part shall include, in addition to the regular counseling, testing, and referral available through the Federal-State Employment Service System, program orientation, basic education, training in communications and employability

skills, work experience, institutional training, on-the-job training, job development, and special job placement and followup services, required to assist participants in securing and retaining employment and securing possibilities for advancement.

[(e)(1) In order to develop public service employment under the program established by section 432(b)(3), the Secretary shall enter into agreements with (A) public agencies, (B) private nonprofit organizations established to serve a public purpose, and (C) Indian tribes with respect to Indians on a reservation, under which individuals deemed suitable for participation in such a program will be provided work which serves a useful public purpose and which would not otherwise be performed by regular employees.

[(2) such agreements shall provide—

[(A) for the payment by the Secretary to each employer, with respect to public service employment performed by any individual for such employer, of an amount not exceeding 100 percent of the cost of providing such employment to such individual during the first year of such employment, an amount not exceeding 75 percent of the cost of providing such employment to such individual during the second year of such employment, and an amount not exceeding 50 percent of the cost of providing such employment to such individual during the third year of such employment;

[(B) the hourly wage rate and the number of hours per week individuals will be scheduled to work in public service employment for such employer;

[(C) that the Secretary will have such access to the premises of the employer as he finds necessary to determine whether such employer is carrying out his obligations under the agreement and this part; and

[(D) that the Secretary may terminate any agreement under this subsection at any time.

[(4) No wage rates provided under any agreement entered into under this subsection shall be lower than the applicable minimum wage for the particular work concerned.

[(f) Before entering into a project under section 432(b)(3), the Secretary shall have reasonable assurances that—

[(1) appropriate standards for the health, safety, and other conditions applicable to the performance of work and training on such project are established and will be maintained,

[(2) such project will not result in the displacement of employed workers,

[(3) with respect to such project the conditions of work, training, education, and employment are reasonable in the light of such factors as the type of work, geographical region, and proficiency of the participant,

[(4) appropriate workmen's compensation protection is provided to all participants.

[(g) Where an individual, certified to the Secretary pursuant to section 402(a)(19)(G) refuses without good cause to accept employment or participate in a project under a program established by this part, the Secretary shall (after providing opportunity for fair hearing) notify the State agency which certified such individual and submit such other information as he may have with respect to such refusal.

[(h) With respect to individuals who are participants in public service employment under the program established by section 432(b)(3), the Secretary shall periodically (but at least once every six months) review the employment record of each such individual while on such special work project and on the basis of such record and such other information as he may acquire determine whether it would be feasible to place such individual in regular employment or on any of the projects under the programs established by section 432(b)(1) and (2).

[(i) In planning for activities under this section, the chief executive officer of each State shall make every effort to coordinate such activities with activities provided by the appropriate private industry council and chief elected official or officials under the Job Training Partnership Act.

[INCENTIVE PAYMENT]

[SEC. 434. (a) The Secretary is authorized to pay to any participant under a program established by section 432(b)(2) an incentive payment of not more than \$30 per month, payable in such amounts and at such times as the Secretary prescribes.

[(b) The Secretary is also authorized to pay, to any member of a family participating in manpower training under this part, allowances for transportation and other costs incurred by such member, to the extent such costs are necessary to and directly related to the participation by such member in such training.

[FEDERAL ASSISTANCE]

[SEC. 435. (a) Federal assistance under this part shall not exceed 90 per centum of the costs of carrying out this part. Non-Federal contributions may be cash or in kind, fairly evaluated, including but limited to plant, equipment, and services.

[(b) Costs of carrying out this part include costs of training, supervision, materials, administration, incentive payments, transportation, and other items as are authorized by the Secretary, but may not include any reimbursement for time spent by participants in work, training, or other participation in the program.

[PERIOD OF ENROLLMENT]

[SEC. 436. (a) The program established by section 432(b)(2) shall be designed by the Secretary so that average period of enrollment under all projects under such program throughout any area of the United States will not exceed one year.

[(b) Services provided under this part may continue to be provided to an individual for such period as the Secretary determines (in accordance with regulations prescribed jointly by him and the Secretary of Health and Human Services) is necessary to qualify him fully for employment even though his earnings disqualify him from aid under a State plan approved under section 402.

[RELOCATION OF PARTICIPANTS]

[SEC. 437. The Secretary may assist participants to relocate their place of residence when he determines such relocation is necessary in order to enable them to become permanently employable and

self-supporting. Such assistance shall be given only to participants who concur in their relocation and who will be employed at their place of relocation at wage rates which will meet at least their full need as determined by the State to which they will be relocated. Assistance under this section shall not exceed the reasonable costs of transportation for participants, their dependents, and their household belongings plus such relocation allowance as the Secretary determines to be reasonable.

[PARTICIPANTS NOT FEDERAL EMPLOYEES

[SEC. 438. Participants in programs established by this part shall be deemed not to be Federal employees and shall not be subject to the provisions of laws relating to Federal employment, including those relating to hours of work, rates of compensation, leave, unemployment compensation, and Federal employee benefits.

[RULES AND REGULATIONS

[SEC. 439. The Secretary and the Secretary of Health and Human Services shall not later than July 1, 1972, issue regulations to carry out the purposes of this part. Such regulations shall provide for the establishment, jointly by the Secretary and the Secretary of Health and Human Services, of (1) a national coordination committee the duty of which shall be to establish uniform reporting and similar requirements for the administration of this part, and (2) a regional coordination committee for each region which shall be responsible for review and approval of statewide operational plans developed pursuant to section 433(b).

[ANNUAL REPORT

[SEC. 440. The Secretary shall annually report to the Congress (with the first such report being made on or before July 1, 1970) on the work incentive programs established by this part.

[EVALUATION AND RESEARCH

[SEC. 441. The Secretary shall (jointly with the Secretary of Health and Human Services) provide for the continuing evaluation of the work incentive programs established by this part, including their effectiveness in achieving stated goals and their impact on other related programs. He also may conduct research regarding ways to increase the effectiveness of such programs. He may, for this purpose, contract for independent evaluations of and research regarding such programs or individual projects under such programs. For purposes of sections 435 and 443, the costs of carrying out this section shall not be regarded as costs of carrying out work incentive programs established by this part. Nothing in this section shall be construed as authorizing the Secretary to enter into any contract with any organization after June 1, 1970, for the dissemination by such organization of information about programs authorized to be carried on under this part.

**[TECHNICAL ASSISTANCE FOR PROVIDERS OF EMPLOYMENT OR
TRAINING**

[SEC. 442. The Secretary is authorized to provide technical assistance to providers of employment or training to enable them to participate in the establishment and operation of programs authorized to be established by section 432(b).

[COLLECTION OF STATE SHARE

[SEC. 443. If a non-Federal contribution of 10 percentum of the costs of the work incentive programs established by this part is not made in any State (as specified in section 402(a)), the Secretary of Health and Human Services may withhold any action under section 404 because of the State's failure to comply substantially with a provision required by section 402. If the Secretary of Health and Human Services does withhold such action, he shall after reasonable notice and opportunity for hearing to the appropriate State agency or agencies, withhold any payments to be made to the State under sections 3(a), 403(a), 1003(a), 1403(a), 1603(a), and 1903(a) until the amount so withheld (including any amounts contributed by the State pursuant to the requirement in section 402(a)(19)(C)) equals 10 per centum of the costs of such work incentive programs. Such withholding shall remain in effect until such time as the Secretary has assurances from the State that such 10 per centum will be contributed as required by section 402. Amounts so withheld shall be deemed to have been paid to the State under such sections and shall be paid by the Secretary of Health and Human Services to the Secretary. Such payment shall be considered a non-Federal contribution for purposes of section 435.

**[AGREEMENTS WITH OTHER AGENCIES PROVIDING ASSISTANCE TO
FAMILIES OF UNEMPLOYED PARENTS**

[SEC. 444. (a) The Secretary is authorized to enter into an agreement (in accordance with the succeeding provisions of this section) with any qualified State agency (as described in subsection (b)) under which the program established by the preceding sections of this part C will (except as otherwise provided in this section) be applicable to individuals certified by such State agency in the same manner, to the same extent, and under the same conditions as such program is applicable with respect to individuals certified to the Secretary by a State agency administering or supervising the administration of a State plan approved by the Secretary of Health and Human Services under part A of this title.

[(b) A qualified State agency referred to in subsection (a) is a State agency which is charged with the administration of a program—

[(1) the purpose of which is to provide aid or assistance to the families of unemployed parents,

[(2) which is not established pursuant to part A of title IV of the Social Security Act,

[(3) which is financed entirely from funds appropriated by the Congress, and

[(4) none of the financing of which is made available under any program established pursuant to title V of the Economic Opportunity Act ⁷¹.

[(c)(1) Any agreement under this section with a qualified State agency shall provide that such agency will, with respect to all individuals receiving aid or assistance under the program of aid or assistance to families of unemployed parents administered by such agency, comply with the requirements imposed by section 402(a)(19) in the same manner and to the extent as if (A) such qualified agency were the agency in such State administering or supervising the administration of a State plan approved under part A of this title, and (B) individuals receiving aid or assistance under the program administered by such qualified agency were recipients of aid under a State plan which is so approved.

[(2) Any agreement entered into under this section shall remain in effect for such period as may be specified in the agreement by the Secretary and the qualified State agency, except that, whenever the Secretary determines, after reasonable notice and opportunity for hearing to the qualified State agency, that such agency has failed substantially to comply with its obligations under such agreement, the Secretary may suspend operation of the agreement until such time as he is satisfied that the State agency will no longer fail substantially to comply with its obligations under such agreement.

[(3) Any such agreement shall further provide that the agreement will be inoperative for any calendar quarter if, for the preceding calendar quarter, the maximum amount of benefits payable under the program of aid or assistance to families of unemployed parents administered by the qualified State agency which is a party to such agreement is lower than the maximum amount of benefits payable under such program for the quarter which ended September 30, 1967.

[(d) The Secretary shall, at the request of any qualified State agency referred to in subsection (a) of this section and upon receipt from it of a list of the names of individuals referred to the Secretary, furnish to such agency the names of each individual on such list participating in public service employment under section 433(a)(3) whom the Secretary determines should continue to participate in such employment. The Secretary shall not comply with any such request with respect to an individual on such list unless such individual has been certified to the Secretary by such agency under section 402(a)(19)(G) for a period of at least six months.

[WORK INCENTIVE DEMONSTRATION PROGRAM]

[SEC. 445. (a) Notwithstanding any other provision of this part and part A of this title, any State may elect as an alternative to the work incentive program otherwise provided in this part, and subject to the provisions of this section, to operate a work incentive demonstration program for the purpose of demonstrating single agency administration of the work-related objectives of this Act, and to receive payments under the provisions of this section.

[(b)(1) Not later than June 30, 1987 ⁷², the Governor of a State which desires to operate a work incentive demonstration program

under this section shall submit to the Secretary of Health and Human Services a letter of application stating such intent. Accompanying the letter of application shall be a State program plan which must—

[(A) provide that the agency conducting the demonstration program within the State shall be the single State agency which administers or supervises the administration of the State plan under part A of this title;

[(B) provide that all persons eligible for or receiving assistance under the aid to families with dependent children program shall be eligible to participate in, and shall be required to participate in, the work incentive demonstration program, subject to the same criteria for participation in such demonstration program as are in effect under this part and part A during the month before the month in which the demonstration program commences, but subject to waiver of such criteria as provided under section 1115;

[(C) provide that the criteria for participation in the work incentive demonstration program shall be uniform throughout the State;

[(D) provide a statement of the objectives which the State expects to meet through operating of a work incentive demonstration program, with emphasis on how the State expects to maximize client placement in nonsubsidized private sector employment;

[(E) describe the techniques to be used to achieve the objectives of the work incentive demonstration program, which may include but shall not be limited to: maximum periods of participation, job training, job fund clubs, grant diversion to either public or private sector employers, services contracts with State employment services, service delivery areas under the Job Training Partnership Act, or private placement agencies, targeted jobs tax credit outreach campaigns, and performance-based placement incentives; and

[(F) set forth the format and frequency of reporting of information regarding operation of the work incentive demonstration program.

[(2) A State's application to participate in the work incentive demonstration program shall be deemed approved unless the Secretary of Health and Human Services notifies the State in writing of disapproval within forty-five days of the date of application. The Secretary of Health and Human Services shall set forth the reasons for disapproval and provide an opportunity for resubmission of the plan with forty-five days of the receipt of the notice of disapproval. An application shall not be finally disapproved unless the Secretary of Health and Human Services determines that the State's program plan would be less effective than the requirements set forth in this title, other than this section.

[(3) The Secretary of Health and Human Services shall furnish copies of approved plans, statistical reports, and evaluation reports to the Secretary of Labor.

[(c) Subject to the statement of objectives and description of techniques to be used in implementing its work incentive demonstration program, as set forth in its program plan, a State shall be

free to design a program which best addresses its individual needs, makes best use of its available resources, and recognizes its labor market conditions. Other than criteria for participation in the State's work incentive demonstration project, which shall be uniform throughout the State, the components of the program may vary by geographic area or by political subdivision.

[(d) A State's work incentive demonstration program, if initially approved, shall be in force for a three-year period, except that in the case of a State which has submitted a letter of application on or before June 30, 1987, such program may continue in force until June 30, 1988. During this period, the State may elect to use up to six months for planning purposes. During such planning period, all requirements of part A and this part C shall remain in full force and effect.]

[(e) The Secretary of Health and Human Services shall conduct two evaluations of a State's work incentive demonstration program. The first evaluation shall be conducted at the conclusion of the first twelve months of operation of the demonstration program. The second evaluation shall be conducted three years from the date of the Secretary's approval of the demonstration program. Both evaluations shall compare placement rates during the demonstration program with placement rates achieved during a number of previous years, to be determined by the Secretary of Health and Human Services.]

[(f)(1) For each year of its demonstration program, a State which is operating such program shall be funded in an amount equal to its initial annual 1981 allocation under the work incentive program set forth in this part, plus any other Federal funds which the State may properly receive under any statute for establishing work programs for recipients of aid to families with dependent children.]

[(2) Such funds shall only be used by the State for administering and operating its work incentive demonstration program. These funds shall not be used for direct grants of assistance under the aid to families with dependent children program.]

[(3) The Secretary of Health and Human Services shall conduct, in consultation with the States, a thorough study of the allocation formula described in paragraph (1) of this subsection and report to Congress no later than April 1, 1985, on the findings of this study with recommendations, if appropriate, for modifying the allocation formula to take into account State performance and to provide for the equitable distribution of funds.]

[(g) Earnings derived from participation in a State's work incentive demonstration program shall not result in a determination of financial ineligibility for assistance under the aid to families with dependent children program.]

PART C—FAIR WORK OPPORTUNITIES FOR FAMILY SELF-SUFFICIENCY

DEFINITIONS

SEC. 431. *As used in this part—*

(1) the term "recipient" means an individual who is receiving aid to families with dependent children or family support supplements under part A of this title;

(2) the term "mandatory participant" means a recipient who is not exempt from the participation requirement under section 416(c)(2) and (3) of this Act;

(3) the term "voluntary participant" means a recipient who is exempt from the participation requirement under sections 416(c)(2) and (3) of this Act;

(4) the term "Secretary" means the Secretary of Labor;

(5) the term "State work initiatives agency" means the agency designated under section 433 to develop the State plan and administer the Fair Work Opportunities Program under this part;

(6) the term "State public assistance agency" means the agency which administers or supervises the State plan approved under section 402 of this Act;

(7) the term "postsecondary institution" has the meaning provided in section 4(18) of the Job Training Partnership Act; and

(8) the term "appropriate day care" has the meaning provided in section 416(c)(5) of this Act.

AUTHORIZATION AND ALLOCATION OF FUNDS

SEC. 432. (a) AUTHORIZATION.—(1) There are authorized to be appropriated to the Secretary of Labor to carry out this part the sum \$650,000,000 for fiscal year 1988, and such sums as may be necessary for each succeeding fiscal year.

(2) Of the amount appropriated pursuant to paragraph (1) in excess of \$200,000,000 for any fiscal year, the first \$150,000,000 shall be reserved for purposes of providing child care under this part.

(b) RESERVED FUNDS.—Five percent of the amount so appropriated—

(1) for fiscal year 1988 and fiscal year 1989, shall be made available by the Secretary to the States for technical assistance and planning grants and demonstration programs; and

(2) for each succeeding fiscal year, shall be made available by the Secretary for demonstration programs and to the States determined by the Secretary to be excelling in terms of the performance standards under section 438.

(c) ALLOCATIONS.—(1) The Secretary shall allocate 95 percent of the amount so appropriated for any fiscal year among the States to carry out plans approved under section 434. In allocating amounts among the States, the Secretary shall take into account each State's prior year allocations and the relative number of recipients in the various States during the most recent year for which satisfactory data are available.

(2) Amounts allocated under this section to any State shall be in addition to any amount payable to such State for use under section 416 and this part pursuant to section 403(a)(4) (as amended by section 102 of the Family Welfare Reform Act of 1987).

(d) MATCHING REQUIREMENT.—(1) Each State receiving an allocation under subsection (c)(1) shall ensure that there will be available, from non-Federal sources, a portion of the costs of providing services

under this part. Contributions from non-Federal sources may be provided in cash or in kind.

(2) The amount required to be provided from non-Federal sources in each State under paragraph (1) for fiscal year 1988 and each succeeding fiscal year shall be equal to the sum of—

(A) 10 percent of so much of its allocation under subsection (c)(1) as does not exceed the State's prior year allocation;

(B) 20 percent of so much of its allocation under subsection (c)(1) as does exceed the State's prior year allocation and is expended for purposes of education and training programs under sections 436(a)(2) and (3) and related child care and supportive services; and

(C) 30 percent of so much of its allocation under subsection (c)(1) as does exceed the State's prior year allocation and is expended for any other purpose under this part (including administrative expenses).

(e) **DEFINITION.**—As used in this section, the term “prior year allocation” means the amount allocated to a State from appropriations for fiscal year 1986 under this part.

STATE WORK INITIATIVES AGENCY

SEC. 433. The Governor of each State shall designate, as the State work initiatives agency responsible for developing the State plan and administering the Fair Work Opportunities Program under this part, the State public assistance agency, the State employment services agency, or another agency of State government. Such designation shall be based on a determination that the agency so designated has extensive capacity for exercising overall direction of programs designed to meet the employment and training needs of eligible participants under this part in the State.

STATE PLANS

SEC. 434. (a) SUBMISSION.—In order to qualify for incentive grants under section 432(b)(2) and in order to receive an allocation under section 432(c) for any fiscal year, a State shall develop and submit to the Secretary a State plan in accordance with the requirements of this section.

(b) **PROVISIONS.**—Each such State plan shall set forth—

(1) a description of coordination arrangements with other Federal and State agencies, including the State educational agency;

(2) a description of the services to be provided in programs under sections 436 and 437 and the methods and priorities to be used in the allocation of such services;

(3) assurances that the State plan meets the criteria for coordination established in the Governor's coordination and special services plan pursuant to section 121(b)(1) of the Job Training Partnership Act;

(4) assurances that the State will meet the matching requirements of section 432(d), and an identification of the State resources available to meet such requirements;

(5) procedures for selecting service providers which take into account past performance in providing similar services, fiscal accountability, and ability to meet performance standards;

(6) assurances that, if the State receives an allocation under section 432(b)(2) for excelling in terms of performance standards, the State will appropriately distribute an equitable portion thereof to any service provider whose actions were the basis for such allocation;

(7) assurances that services provided are in addition to, and do not duplicate, services that are otherwise available from other Federal or State agencies on a nonreimbursable basis;

(8) assurances that education, training, and work programs include private sector and local government involvement through administrative entities under section 4(2) of the Job Training Partnership Act, in planning and program design to assure that participants are trained for jobs that are likely to be available in the community;

(9) assurances that community-based organizations (as defined in section 4(5) of the Job Training Partnership Act) are involved in planning and program design to facilitate outreach in the client community and in the delivery of services (meeting the conditions set forth in section 107(a) of the Job Training Partnership Act);

(10) a description of the distribution of services within the State (A) identifying for each area within the State the resources to be made available for training, on-the-job training, and transitional employment opportunities, and (B) explaining the economic and demographic reasons for such distribution;

(11) assurances that necessary supportive services will be available to participants, including appropriate day care for children of preschool age or other children while not in school and while not otherwise receiving care during such times as their parents will be participating in activities under this part;

(12) a description of the methods by which the State will comply with the requirements of section 444; and

(13) such other information and assurances as the Secretary may require in accordance with regulations.

(c) **PUBLIC COMMENTS.**—Not later than 30 days before submission of the plan to the State job training coordinating council in accordance with subsection (d), the proposed State plan shall be published and made reasonably available to the general public through local news facilities and public announcements, in order to provide the opportunity for review and comments through such means as public hearings.

(d) **REVIEW AND APPROVAL.**—The State work initiatives agency shall submit the State plan described in subsection (b)—

(1) to the State job training coordinating council established pursuant to section 122 of the Job Training Partnership Act, for a period not to exceed 90 days, for review and comments prior to submission to the Governor;

(2) to the Governor of the State for approval prior to the submission of the plan to the Secretary; and

(3) to the Secretary for approval of the plan.

(e) **NOTICE AND OPPORTUNITY FOR HEARING.**—The Secretary shall notify the State work initiatives agency within 45 days after submission of the State plan whether it has been approved or disapproved. Any notice of disapproval shall include a statement of the reasons for such disapproval. A State plan shall not be disapproved unless the State work initiatives agency has been afforded an opportunity for a hearing on the plan.

ASSESSMENT AND FAMILY SUPPORT PLAN

SEC. 435. (a) INITIAL ASSESSMENT AND DEVELOPMENT OF FAMILY SUPPORT PLAN.—The State work initiatives agency shall make an initial assessment of the educational, child care, and other supportive services needs, as well as the skills, prior work experience, and employability of each participant in the program under this part, including a review of the family circumstances and of the needs of the children as well as those of the adult caretaker. The assessment of the educational needs of each participant shall include testing of literacy and reading skills. On the basis of such assessment, the State work initiatives agency and the participating members of the family (or the adult caretaker relative in the family with respect to any such participant who is a child) shall negotiate a family support plan for the family. The family support plan shall set forth and describe all of the activities in which participants in the family will take part under the program, including the child care and other supportive services that will be provided to facilitate participation; and shall, to the maximum extent possible and consistent with this part, reflect the choices of such participants.

(b) **AGENCY-CLIENT AGREEMENT.**—(1)(A) Following the initial assessment and the development of the family support plan with respect to any family under this section, the State work initiatives agency and the participating members of the family (or the adult caretaker relative in the family with respect to participants who are children) shall negotiate and enter into an agency-client agreement including—

(i) a commitment by the participants (or adult caretaker relative) to participate in the program in accordance with the family support plan,

(ii) a description in detail of the activities in which the participants will take part and the conditions and duration of such participation, and

(iii) a description in detail of all of the activities, including child care and other supportive services, which the State will arrange and the services which the State will provide in the course of such participation.

(B) Each participant (or adult caretaker relative) shall be given such assistance as may be required in reviewing and understanding the family support plan and his or her obligations and those of the agency as specified in the agency-client agreement. Prior to signing the agency-client agreement, each participant shall be afforded an opportunity, for a period of not to exceed 10 days, to review the proposed agreement, to request additional information concerning its terms and contents, and to renegotiate any appropriate provision of the agreement which he or she deems necessary.

(2) Each participant shall be guaranteed an opportunity for a fair hearing before the State work initiatives agency in the event of any dispute involving the contents of the family support plan, the contents or signing of the agency-client agreement, the nature or extent of his or her participation in the program as specified therein, the availability of child care and other supportive services, or any other aspect of such participation which is provided for under this section (including any dispute involving the imposition of sanctions under section 402(h) of this Act and the participant's right to conciliation before any such sanction is imposed); and the agency-client agreement shall so provide. The agency-client agreement shall be signed by the participant (or adult caretaker relative) and the agency representative responsible for implementation of the agreement.

(3) The State work initiatives agency shall assign to each participating family a member of the agency staff to provide case assistance services to the family; and the case assistant so assigned shall be responsible for—

(A) obtaining or brokering, on behalf of the family, any other services which may be needed to assure the family's effective participation,

(B) monitoring the progress of the participant, and

(C) periodically reviewing and renegotiating the family support plan and the agency-client agreement as appropriate.

Amounts expended in providing case assistance services under this paragraph shall be considered to be expenditures for the proper and efficient administration of the State plan.

COMPREHENSIVE EDUCATION, TRAINING, JOB, AND SUPPORT SERVICES

SEC. 436. (a) **COMPREHENSIVE SERVICES.**—Comprehensive services to be offered to participants under this part shall include—

(1) job search services, including (but not limited to)—

(A) training in job seeking skills;

(B) job search and job club activities;

(C) job and career counseling;

(D) testing and assessment;

(E) labor market information; and

(F) referral to employers;

(2) education programs, including (but not limited to)—

(A) basic and remedial education;

(B) literacy training;

(C) bilingual education for individuals with limited English proficiency;

(D) high school or equivalent education (combined with training when appropriate) for individuals who lack a high school diploma; and

(E) appropriate specialized advanced education;

(3) training programs, including (but not limited to)—

(A) job readiness activities to help prepare participants for employment;

(B) institutional job skills training;

(C) on-the-job training; and

(D) work experience;

(4) necessary support services, as required by subsection (c);

(5) counseling, information, and referrals to help participants experiencing personal or family problems which may affect their ability to engage in work; and

(6) job development, job placement, and follow-up services to assist participants in securing and retaining employment and advancement.

(b) **TRANSITIONAL EMPLOYMENT.**—Comprehensive services may also include transitional employment, subject to the requirements of section 437.

(c) **SUPPORT SERVICES.**—Eligible participants receiving any of the services described in paragraphs (1), (2), and (3) of subsection (a) or in subsection (b) shall be provided such related support services as are necessary to enable such individuals to participate therein. Related support services shall include transportation and child care assistance. Any individual who is the parent or other caretaker relative of any dependent child or incapacitated individual and whose family ceases to be eligible for family support supplements under the State plan under section 402 as of the close of any month (if at that time the family has earnings) shall continue to be entitled to reimbursement for the costs of any appropriate day care (subject to the applicable dollar limitations specified in section 402(g)(1)) which is determined by the State agency to be reasonably necessary for his or her employment, for a period of up to 12 months after the close of such month, under a sliding scale formula established by the State which shall be based on the family's ability to pay (and under which such applicable dollar limitations are appropriately reduced to reflect such ability).

(d) **EDUCATION SERVICES.**—(1) Any participant lacking a high school diploma shall, before being required to participate in any other services or activities, be required to participate in a program which addresses the education needs identified in the participant's initial assessment, including high school or equivalent education designed specifically for participants who do not have a high school diploma, remedial education to achieve a basic literacy level, or instruction in English as a second language; and both the family support plan and the agency-client agreement shall so provide. Any other services or activities to which such a participant is assigned under the agreement may not be permitted to interfere with his or her participation in an appropriate education program under this paragraph. Any participant pursuing a high school or equivalent education shall not be required to participate in other services or activities.

(2) Children in participating families who are not themselves participants in the program under this part shall be encouraged to take part in any suitable education or training programs available under the program authorized by this part; and the program must also provide to such children additional services specifically designed to help them stay in school (including financial incentives as appropriate), complete their high school education, and obtain marketable job skills. Activities in which such children participate may not, however, be permitted to interfere with their school attendance.

(3) An individual who attends an accredited postsecondary institution (on not less than a half-time basis), as long as such individual is making satisfactory progress in a vocational or undergradu-

ate education or training program consistent with the individual's employment goals, shall be deemed to be participating satisfactorily under this part without participating in any other program or activity.

(e) **REPETITION OF PROGRAMS PROHIBITED.**—An individual who has completed participation in a program component described in paragraph (2) or (3) of subsection (a) shall not be required to participate again in the same component.

(f) **WORK EXPERIENCE PROGRAMS.**—(1) Any State which chooses to do so may establish a work experience program in accordance with this subsection. The purpose of such programs is to provide marketable work experience and training for individuals who are not otherwise able to obtain employment, through a combination of work experience and vocational training or educational activities as part of a planned sequence set forth in the participant's family support plan. Such programs shall be designed to move participants into regular public or private employment. Such programs must be able demonstrably—

(A) to provide marketable skills to participants without previous work experience,

(B) to upgrade the existing skills of participants with limited previous work experience, or

(C) to transform obsolete skills into marketable skills.

(2) Work experience programs shall be limited to projects which serve a useful public purpose in fields such as health, social service, environmental protection or conservation, education, urban and rural development and redevelopment, welfare, recreation, public facilities, public safety, and day care. Priority with respect to the selection of agencies carrying out such projects shall be given to those agencies which offer child care or health care. To the extent possible, the prior training, experience, and skills of a recipient shall be used in making appropriate work experience assignments. Participants in a program under this subsection may not fill unfilled vacancies.

(3) A State which elects to establish a work experience program under this subsection shall operate such program so that each participant, in conjunction with vocational training or educational activities, performs unpaid work experience (for a total of not more than 30 hours a week) for a period not exceeding 3 months.

(4) No participant shall be assigned to a position under this subsection unless—

(A) the participant's initial assessment identifies lack of recent work experience as a barrier to immediate placement in regular public or private employment;

(B) the participant is unable to be placed in work supplementation programs established pursuant to this title, or in unsubsidized employment;

(C) the assignment is part of a planned sequence of activities, specified in both the family support plan and the agency-client agreement, which is designed to prepare the participant for regular public or private employment; and

(D) the participant has not been employed during the preceding 6 months.

(5) If at the conclusion of his or her participation in the work experience program, the individual has not become employed, a reassessment with respect to such individual shall be made and a modified family support plan developed. In no event shall any individual who has completed the activities described in this subsection be required to repeat such activities or be reassigned to perform other unpaid work experience, unless—

(A) the individual requests to repeat such activities or be reassigned to perform other unpaid work experience, and such request is reflected in a modified family support plan; or

(B) such extension would lead to employment in an on-the-job training position.

Any extension under this paragraph shall be only for the time period described in paragraph (3).

(6) The State shall provide coordination between a work experience program operated pursuant to this subsection, any program of job search, and the other work-related activities under this part so as to ensure that job placement will have priority over participation in the work experience program.

(7) Participants in such programs may not be required, without their consent, to travel unreasonable distances from their homes or remain away from their homes overnight.

TRANSITIONAL EMPLOYMENT

SEC. 437. (a) **RESTRICTIONS ON TRANSITIONAL EMPLOYMENT.**—Transitional employment provided under this section includes only employment (for wages) which shall be—

(1) with a public or nonprofit private employer;

(2) for a period not to exceed 6 months, unless at the end of such 6-month period additional transitional employment is determined to be necessary in a review and modification of the family support plan; and

(3) partially or wholly subsidized under this part.

(b) **ELIGIBILITY FOR TRANSITIONAL EMPLOYMENT.**—An individual may not be provided with transitional employment under this section unless such transitional employment is part of the family support plan and the individual—

(1) has been a participant for at least 6 months in comprehensive services (as described in section 436), including job search, or such longer period as may be required for the participant to achieve substantial progress in the education component of such services; and

(2) has been unable to secure unsubsidized employment.

(c) **PRIORITIES.**—In providing transitional employment for such individuals, priority shall be given to transitional employment which—

(1) provides services to other eligible participants, such as child care and transportation; or

(2) is likely to lead to unsubsidized employment, directly or through on-the-job training.

PERFORMANCE STANDARDS

SEC. 438. (a) CRITERIA FOR ESTABLISHING STANDARDS.—For the purpose of evaluating the success of programs established under this part and determining eligibility for additional allocations under section 432(b)(2), the Secretary of Labor, on the basis of recommendations received pursuant to subsection (b) of this section, shall establish performance standards. Such performance standards—

(1) shall be measured by outcome and not by levels of activity or participation, and shall be based on the degree of success which may reasonably be expected of States, in carrying out work-related programs under this part which help such individuals achieve self-sufficiency and in reducing welfare costs;

(2) shall take into account job placement rates, wages, job retention, reduced levels of aid under the State plan, improvements in the educational levels of participants, and the extent to which participants are able to obtain jobs providing health benefits or child care;

(3) shall encourage States to give appropriate recognition to the greater difficulties in achieving self-sufficiency which face individuals who have greater barriers to employment; and

(4) shall include guidelines permitting appropriate variations to take account of the differing conditions (including unemployment rates) which may exist in different States.

(b) PROCEDURES FOR ESTABLISHING STANDARDS.—(1) The Secretary shall establish an advisory committee to develop proposed performance standards meeting the requirements of subsection (a). The advisory committee shall include representatives of State agencies administering programs under this part, State job training coordinating councils, labor organizations, business organizations, education agencies, community based organizations, and organizations representing eligible participants.

(2) The proposed performance standards developed by such advisory committee shall be submitted to the Office of Technology Assessment, for a period not to exceed 30 days, for review and comment prior to their submission to the Secretary. The comments of the Office of Technology Assessment concerning the proposed performance standards shall be included with the documents submitted to the Secretary by the advisory committee.

(3) The Secretary may collect preliminary program information from the States to assist in the development of performance standards. The Secretary shall have access to information developed pursuant to section 104(c) of the Family Welfare Reform Act of 1987 for such purpose.

(c) PRELIMINARY AND FINAL STANDARDS.—Preliminary guidelines intended to facilitate compliance with performance standards referred to in subsection (a) shall be established within 12 months after the date of the enactment of the Family Welfare Reform Act of 1987. Final standards shall be established, prescribed, and published no later than 24 months after enactment of such Act.

(d) STATE-BY-STATE VARIATION.—The performance standards developed and prescribed under this section shall be varied by the Governor of a State, to the extent permitted under subsection (a), to the extent necessary to take account of specific economic, geographic,

and demographic factors in the State, the characteristics of the population to be served, and the types of services to be provided.

(e) **TARGETING OF SERVICES.**—Prior to the development of performance standards under this section, each State should take immediate action to fulfill the purposes of this part regarding the targeting of services toward those individuals who are most difficult to place in unsubsidized employment on the basis of—

- (1) work experience,
- (2) duration of welfare dependency, and
- (3) educational attainments.

(f) **EVALUATIONS.**—(1) The Secretary shall conduct evaluations of each State's progress toward meeting the performance standards developed under this section. Evaluations shall be conducted at the completion of each fiscal year for which a State may be held accountable for such standards.

(2) If a State fails to meet the performance standards at the conclusion of any such evaluation period, the Secretary shall provide such necessary technical assistance to the State as will facilitate meeting such standards. The Secretary shall review the State's compliance within a reasonable period after providing such assistance (as determined by the Secretary and the Governor), except that such period may not exceed 6 months.

(g) **INCENTIVE ALLOCATIONS.**—(1) In the case of any State which meets or exceeds the performance standards, such State shall be eligible for incentive allocations available under section 432(b)(2).

(2) The amount of such additional allocation shall be based on the extent to which such State meets or exceeds the performance standards under performance categories established by this part. The Secretary shall determine the amounts of such incentive awards.

(h) **REVIEW AND REVISION OF STANDARDS.**—The Secretary shall periodically (but not more frequently than once each three years) review the performance standards developed under this section and submit recommendations for changes to the advisory committee and the Office of Technology Assessment for review and comment prior to prescribing any revisions to such standards.

GENERAL REQUIREMENTS

SEC. 439. (a) REFUSAL TO PARTICIPATE.—Prior to a determination pursuant to section 416(h) that an individual has refused to participate under section 416 or this part without good cause, the State work initiatives agency shall provide to such individual a notice of intent to make such determination. In no event may a final determination be made in a first such instance unless such individual has been offered an opportunity to reach a conciliatory resolution, including the opportunity to discuss reasons for the lack of cooperation and to propose options with the goal of continuing in the program under this part. The failure of a State to provide services to an individual in accordance with a family support plan developed under section 435 shall constitute one of the grounds for good cause.

(b) **BENEFITS AND LABOR STANDARDS.**—The provisions of sections 142 and 143 (relating to benefit requirements and labor standards) of the Job Training Partnership Act shall apply to all program ac-

tivities under section 416 and under this part and any work program carried out under this Act.

(c) **SUITABILITY OF WORK ASSIGNMENTS.**—(1)(A) Each assignment of a participant to any program activity under section 416 or under this part, or under any work program carried out under this Act, shall be consistent with the physical capacity, skills, experience, health, family responsibilities, and place of residence of such participant. For the purposes of this part and section 416, or any work program carried out under this Act, part-time participation shall in no event exceed 20 hours per week; and no part-time participant shall be required to participate in more than one program or activity if travel to and participation therein would exceed such time.

(B) Before assigning a participant to any activity under section 416 or under this part, or under any work program carried out under this Act, the State shall assure that—

(i) appropriate standards for health, safety, and other conditions are applicable to participation in such activity;

(ii) the conditions of participation in such activity are reasonable, taking into account the geographic region, the residence of the participant, and the proficiency of the participant, and the child care and other supportive service needs of the participant; and

(iii) the participant will not be required, without his or her consent, to travel an unreasonable distance from his or her home or remain away from such home overnight.

(2) The State may not require a participant in the program under this part or under section 416 or under any program under this Act to accept a position under the program (as work supplementation or otherwise) if accepting the position would result in the receipt of wages paid at a rate below the Federal minimum wage established by the Fair Labor Standards Act of 1938. The State shall establish a program whereby, to prevent any loss of income to the participant as a result of the acceptance of such job, the State shall provide a supplement at a level which, when combined with wages from such job, equals the participant's benefits level while participating in the program for a period of 12 months.

(d) **MANDATORY WORKFARE PROHIBITED.**—Funds available under this part will not be used, directly or indirectly, to support any mandatory workfare program. As used in this subsection, the term "mandatory workfare program" means any program under which recipients of welfare or other public assistance are to be required to perform work in exchange for such assistance, but are not to be provided wages and worker benefits in paid employment.

(e) **NONDISCRIMINATION PROVISIONS.**—(1) The provisions of section 167 (relating to nondiscrimination) of the Job Training Partnership Act shall apply to all program activities under section 416 and under this part and any work program carried out under this Act.

(2) Individuals assigned to any job or work program under this Act shall not be discriminated against on the basis of race, sex, national origin, religion, age, or handicapping condition, and such individuals shall have such rights as are available under any Federal, State, or local law prohibiting discrimination in employment.

USE OF EXISTING RESOURCES

SEC. 440. (a) REIMBURSEMENT PERMITTED.—*In making use of the programs of other State or local agencies (public or private), a State agency may reimburse such agencies for services rendered to individuals under this part to the extent that such services and opportunities are not otherwise available on a nonreimbursable basis.*

(b) USE OF SERVICES AND INFORMATION FROM PRIVATE INDUSTRY COUNCILS.—*(1) The State work initiatives agency shall utilize the services of each private industry council (as established under the Job Training Partnership Act) to identify and provide advice on the types of jobs available or likely to become available in the service delivery area of such council.*

(2) The State work initiatives agency shall not conduct, in any area, institutional training under any program established pursuant to section 436(a) of any type which is not related to jobs of the type which are or are likely to become available in such area as determined after taking into account information provided by the private industry council for such area.

(c) In carrying out services and activities under this part, the State work initiatives agency may enter into appropriate contracts and other arrangements with public and private agencies and organizations for the provision or conduct of any services or activities under this part.

REPORTS, RECORDKEEPING, AND INVESTIGATIONS

SEC. 441. (a) RECORDS AND REPORTS.—*(1) Each State work initiatives agency shall keep records that are sufficient to permit the preparation of reports required by this part and to permit the tracing of funds to a level of expenditure adequate to insure that the funds have not been spent unlawfully.*

(2) Each State work initiatives agency shall maintain such records and submit such reports, in such form and containing such information, as the Secretary requires regarding the performance of its programs. Such records and reports shall be submitted to the Secretary, but shall not be required to be submitted more than once each quarter unless specifically requested by the Congress or a committee thereof.

(b) INVESTIGATIONS.—*(1)(A) In order to evaluate compliance with the provisions of this part, the Secretary shall conduct in several States, in each fiscal year, investigations of the use of funds received by State work initiatives agencies under this Act.*

(B) In order to insure compliance with the provisions of this part, the Comptroller General of the United States may conduct investigations of the use of funds received under this part by any State agency.

(2) In conducting any investigation under this part, the Secretary or the Comptroller General of the United States may not request the compilation of any new information not readily available to such State agency.

(c) STATE REPORTS.—*Each State work initiatives agency shall make such reports concerning its operations and expenditures as shall be prescribed by the Secretary.*

(d) **REVIEW OF COMPLAINTS.**—(1) Whenever the Secretary receives a complaint from any interested person which alleges, or whenever the Secretary has reason to believe, that a State work initiatives agency receiving financial assistance under this part is failing to comply with the requirements of this part or the terms of the State plan, the Secretary shall investigate the matter.

(2) If, after such investigation, the Secretary determines that there is substantial evidence to support such allegation or belief that such a State work initiatives agency is failing to comply with such requirements, the Secretary shall, after due notice and opportunity for a hearing to such State work initiatives agency, determine whether such allegation or belief is true.

(3) The Secretary shall conduct such investigation, and make the final determination required by paragraph (2) regarding the truth of the allegation or belief involved, not later than 120 days after receiving the complaint.

NONCOMPLIANCE AND CORRECTIVE ACTIONS

SEC. 442. (a) SANCTIONS FOR NONCOMPLIANCE.—(1) If the Secretary of Labor concludes that any State work initiatives agency receiving funds under this part, or if the Secretary of Health and Human Services concludes that any State public assistance agency under section 416 or any other provision of this Act is failing to comply with any provision of this Act, such Secretary shall have authority to terminate or suspend financial assistance in whole or in part and to order such sanctions or corrective actions as appropriate, including the repayment of misspent funds from sources other than funds under this part and the withholding of future funding, if prior notice and an opportunity for a hearing have been given to the State.

(2) Whenever such Secretary orders termination or suspension of financial assistance to a subgrantee or subcontractor (including any operator under a nonfinancial agreement), such Secretary shall have authority to take whatever action is necessary to enforce such order, including action directly against the subgrantee or contractor (and including requiring the primary recipient to take legal action) to reclaim misspent funds or to otherwise protect the integrity of the funds or ensure the proper operation of the program.

(b) **REMEDIES NOT EXCLUSIVE.**—The existence of remedies under this Act shall not preclude any person, who alleges that an action of a State agency violates any of the provisions of this part, from instituting a civil action or pursuing any other remedies authorized under Federal, State, or local law.

DEMONSTRATION PROGRAMS

SEC. 443. (a) AUTHORIZED USES OF FUNDS.—Funds available to the Secretary under section 432(b)(1) and (2) may be made available to States, for use in conjunction with other resources, for such purposes as—

(1) demonstrations to test the effectiveness of arrangements under which private organizations will operate supported-work programs to place participants in full-time jobs in the private sector, with the Federal subsidy of wages not to exceed 9

months, through performance-based contracts conditioned upon retention in such private sector employment after the Federal subsidy ends;

(2) demonstrating more effective methods of providing coordination and services to ensure long-term family self-sufficiency through community-based comprehensive family support services involving a partnership between the State work initiatives agency and community-based organizations having experience and demonstrated effectiveness in providing services; and

(3) financial assistance to nonprofit community development corporations to demonstrate their effectiveness in creating employment opportunities for recipients and other low-income individuals.

(b) **STATE DEMONSTRATION PROGRAMS.**—In order to encourage States to develop innovative education and training programs for children receiving aid under State plans approved under section 402, any State may establish and conduct one or more demonstration projects, targeted to such children, designed to test financial incentives and interdisciplinary approaches to reducing school drop-outs, encouraging skill development, and avoiding welfare dependence; and the Secretary may make grants to States to assist in financing such projects. Demonstration projects under this paragraph shall meet such conditions and requirements as the Secretary shall prescribe, and no such project shall be conducted for a period of less than one year or more than 5 years.

CHILD CARE REQUIREMENTS

SEC. 444. (a) **ASSESSMENT.**—Prior to or in conjunction with the expenditure of funds available under section 432(a)(2) for child care for participants in the program, each State shall conduct an assessment of the adequacy and appropriateness of child care resources in the State or particular communities in the State to meet the child care needs of participants in the program and those of other families receiving family support supplements. Such assessments shall specifically address the adequacy of resources available for children in different age groups, including infants, toddlers, preschools, and school-age children.

(b) **COORDINATION.**—In order to encourage and facilitate coordination in the delivery of child care services, each State may provide that funds to participants for child care services under section 402(g) may be available to supplement early childhood development programs within a State, including Head Start programs, preschool programs funded under chapter one of the Education Consolidation and Improvement Act of 1981, schools and nonprofit child care programs (including community based organizations receiving State or local funds designated for preschool programs for handicapped children), so as to extend these programs to provide full day, full year services to children in participating families.

(c) **TRAINING OF CAREGIVERS.**—Each State shall institute a program to provide grants for training child care personnel in areas such as child growth and development, communication with families, health and safety, instruction, and administration and management. Child care personnel eligible for such training may in-

clude employees of child care centers as well as family day care providers and others meeting the standards enumerated in section 402(g)(1)(B) of this Act (as amended by title II of the Family Welfare Reform Act of 1987).

(d) **CHILD CARE SUPPLY.**—Any State may use funds provided under this part to institute a program to provide grants to local nonprofit child care programs to establish or renovate child care centers and family day care homes which meet the standards enumerated in section 402(g)(1)(B) of this Act (as amended by title II of the Family Welfare Reform Act of 1987) and which will be used to serve participants in the other activities described in section 436, including on-site or nearby child care centers operated as part of the education, training, or employment programs, as well as other child care centers which will be used by program participants. Such grants may also be made available to local child care agencies (such as resource and referral programs) to recruit, train, and provide other essential supports to new family day care providers. These grants may also be used to assist centers and family day care providers to come into compliance with applicable health and safety standards.

(e) **PROHIBITION OF RELAXATION OF CHILD CARE LICENSING REQUIREMENTS.**—No State shall reduce the level of standards applicable to child care provided within the State on the date of enactment of the Family Welfare Reform Act of 1987.

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TITLE XI—GENERAL PROVISIONS AND PEER REVIEW

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PART A—GENERAL PROVISIONS

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LIMITATION ON PAYMENTS TO PUERTO RICO, THE VIRGIN ISLANDS, AND GUAM

SEC. 1108. (a) * * *

(b) The total amount certified by the Secretary under part A of title IV, on account of family planning services and services provided under section [402(a)(19)] 416 with respect to any fiscal year—

- (1) for payment to Puerto Rico shall not exceed \$2,000,000,
- (2) for payment to the Virgin Islands shall not exceed \$65,000, and
- (3) for payment to Guam shall not exceed \$90,000.

* * * * *

DEMONSTRATION PROJECTS

SEC. 1115. (a) (1) In the case of any experimental, pilot, or demonstration project which, in the judgment of the Secretary, is likely to assist in promoting the objectives of title, I, X, XIV, XVI, or XIX, the part A or D of title IV, in a State or States—

[(1)] (A) the Secretary may waive compliance with any of the requirements of section 2, 402, 454, 1002, 1402, 1602, or 1902, as the case may be, to the extent and for the period he finds necessary to enable such State or States to carry out such project, and

[(2)] (B) cost of such project which would not otherwise be included as expenditures under section 3, 403, 455, 1003, 1403, 1603, or 1903, as the case may be, and which are not included as part of the costs of projects under section 1110, shall, to the extent and for the period prescribed by the Secretary, be regarded as expenditures under the State plan or plans approved under such title, or for administration of such State plan or plans, as may be appropriate.

In addition, not to exceed \$4,000,000 of the aggregate amount appropriated for payments to States under such titles for any fiscal year beginning after June 30, 1967, shall be available, under such terms and conditions as the Secretary may establish, for payments to States to cover so much of the cost of such projects as is not covered by payments under such titles and is not included as part of the cost of projects for purposes of section 1110.

[(c)] (2) In the case of any experimental, pilot, or demonstration project undertaken under [subsection (a)] *paragraph (1)* to assist in promoting the objectives of part D of title IV, the project—

[(1)] (A) must be designed to improve the financial well-being of children or otherwise improve the operation of the child support program;

[(2)] (B) may not permit modifications in the child support program which would have the effect of disadvantaging children in need of support; and

[(3)] (C) must not result in increased cost to the Federal Government under the program of aid to families with dependent children.

[(b)(1)] In order to permit the States to achieve more efficient and effective use of funds for public assistance, to reduce dependency, and to improve the living conditions and increase the incomes of individuals who are recipients of public assistance, any State having an approved plan under part A of title IV may, subject to the provisions of this subsection, establish and conduct not more than three demonstration projects. In establishing and conducting any such project the State shall—

[(A)] provide that not more than one such project be conducted on a statewide basis;

[(B)] provide that in making arrangement for public service employment—

[(i)] appropriate standards for the health, safety, and other conditions applicable to the performance of work and training on such project are established and will be maintained,

[(ii)] such project will not result in the displacement of employed workers,

[(iii)] each participant in such project shall be compensated for work performed by him at an hourly rate equal to the prevailing hourly wage for similar work in the locality where the participant performs such work (and, for

purposes of this clause, benefits payable under the State's plan approved under part A of title IV of the family of which such participant is a member shall be regarded as compensation for work performed by such participant),

[(iv) with respect to such project the conditions of work, training, education, and employment are reasonable in the light of such factors as the type of work, geographical region, and proficiency of the participant, and

[(v) appropriate workmen's compensation protection is provided to all participants; and

[(C) provide that participation in such project by any individual receiving aid to families with dependent children be voluntary.

[(2) Any State which establishes and conducts demonstration projects under this subsection may, subject to paragraph (3), with respect to any such project—

[(A) waive, subject to paragraph (3), any or all of the requirements of sections 402(a)(1) (relating to statewide operation), 402(a)(3) (relating to administration by a single State agency), 402(a)(8) (relating to disregard of earned income), except that no such waiver of 402(a)(8) shall operate to waive any amount in excess of one-half of the earned income of any individual, and 402(a)(19) (relating to the work incentive program); and

[(B) subject to paragraph (4), use to cover the costs of the project such funds as are appropriated for payment to such State with respect to the assistance which is or would, except for participation in a project under this subsection, be payable to individuals participating in such projects under Part A of title IV for any fiscal year in which such projects are conducted.

[(3)(A) Any State which wishes to establish and conduct demonstration project under the provisions of this subsection shall submit an application to the Secretary in such form and containing such information as the Secretary may require. Whenever any State submits such an application to the Secretary, it shall at the same time issue public notice of that fact together with a general description of the project with respect to which the application is submitted, and shall invite comment thereon from interested parties and comments thereon may be submitted, within the 30-day period beginning with the date the application is submitted to the Secretary, to the State or the Secretary by such parties. The State shall also make copies of the application available for public inspection. The Secretary shall also immediately publish a summary of the proposed project, make copies of the application available for public inspection, and receive and consider comments submitted with respect to the application. A state shall be authorized to proceed with a project submitted under this subsection—

[(i) when such application has been approved by the Secretary (which shall be no earlier than 30 days following the date the application is submitted to him), or

[(ii) 60 days after the date on which such application is submitted to the Secretary unless, during such 60 day period, he denies the application.

[(B) Notwithstanding the provisions of paragraph (2)(A), the Secretary may review any waiver made by a State under such paragraph. Upon a finding that any such waiver is inconsistent with the purposes of this subsection and the purposes of part A of title IV, the Secretary may disapprove such waiver. The project with respect to which any such disapproved waiver was made shall be terminated by such State not later than the last day of the month following the month in which such waiver was disapproved.

[(4) Any amount payable to a State under section 403(a) on behalf of an individual participating in a project under this section shall not be increased by reason of the participation of such individual in any demonstration project conducted under this subsection over the amount which would be payable if such individual were receiving aid to families with dependent children and not participating in such project.

[(5) Participation in a project established under this section shall not be considered to constitute employment for purposes of any finding with respect to "unemployment" as that term is used in section 407.

[(6) Any demonstration project established and conducted pursuant to the provisions of this subsection shall be conducted for not longer than two years. All demonstration projects established and conducted pursuant to the provisions of this subsection shall be terminated not later than September 30, 1980.]

(b) DEMONSTRATION PROGRAMS.—(1)(A) In order to test the effect of in-home early childhood development programs and preschool center-based development programs (emphasizing the use of volunteers and including academic credit for student volunteers) on families receiving aid under State plans approved under section 402 and participating in the education, training, and work program under section 416, up to 10 States may undertake and carry out demonstration projects utilizing such development programs to enhance the cognitive skills and linguistic ability of children under the age of 5, to improve the communications skills of such children, and to develop their ability to read, write, and speak the English language effectively. Such projects may include parents along with their eligible children in family-centered education programs that assist children directly in achieving the goals stated in the preceding sentence and also help parents contribute to the proper development and education of their young children. Demonstration projects under this paragraph shall meet such conditions and requirements as the Secretary shall prescribe, and no such project shall be conducted for a period of more than 3 years.

(B) The Secretary shall consider all applications received from States desiring to conduct demonstration projects under this paragraph, shall approve up to 10 applications involving projects which appear likely to contribute significantly to the achievement of the purpose of this paragraph, and shall make grants to the States whose applications are approved to assist them in carrying out such projects.

(C) The Secretary shall submit to the Congress with respect to each project undertaken by a State under this paragraph, after such project has been carried out for one year and again when such

project is completed, a detailed evaluation of the project and of its contribution to the achievement of the purpose of this paragraph.

(2)(A) In order to permit States to test whether (and the extent to which) eliminating the 100-hour rule under section 407, and requiring parents under that section to accept any reasonable job offers while preserving the eligibility of their families for aid under the applicable State plan approved under section 402, would effectively encourage such parents to enter the permanent work force and thereby significantly reduce program costs, up to 5 States and localities may undertake and carry out demonstration projects under which—

(i) each parent receiving aid pursuant to section 407 is required to accept any reasonable full- or part-time job which is offered to him or her, without regard to the amount of the parent's resulting earnings as compared to the level of the family's aid under the applicable State plan, and

(ii) the family's eligibility under the plan is preserved notwithstanding the parent's resulting earnings, so long as such earnings (after the application of section 402(a)(8)) do not exceed the applicable State standard of need, without regard to the 100-hour rule or any other durational standard that might be applied in defining unemployment for purposes of determining such eligibility.

(B) The Secretary shall consider all applications received from States desiring to conduct demonstration projects under this paragraph, shall approve up to 5 applications involving projects which appear likely to contribute significantly to the achievement of the purpose of this paragraph, and shall make grants to the States whose applications are approved to assist them in carrying out such projects.

(C) Each demonstration project approved under this paragraph shall provide for the payment of aid under the applicable State plan, as though section 407 had been modified to reflect the provisions of clauses (i) and (ii) of subparagraph (A) but shall otherwise be carried out in accordance with all of the requirements and conditions of section 407 (and any related requirements and conditions under part A of title IV); and each such project shall meet such other requirements and conditions as the Secretary shall prescribe.

(3)(A) Any demonstration project undertaken pursuant to this subsection—

(i) must be designed to improve the financial well-being of families with children or otherwise improve the operation of the program or programs involved; and

(ii) may not permit modifications in any program which would have the effect of disadvantaging children in need.

(B) There are authorized to be appropriated such sums as may be necessary to enable the Secretary to make grants with respect to the demonstration projects which are provided for under any of the preceding paragraphs of this subsection (and for which an authorization in specific dollar amounts is not included in the paragraph involved).

TITLE XIX—GRANTS TO STATES FOR MEDICAL ASSISTANCE PROGRAMS

* * * * *

STATE PLANS FOR MEDICAL ASSISTANCE

SEC. 1902. (a) A State plan for medical assistance must—

(1) * * *

* * * * *

(10) provide—

(A) for making medical assistance available, including at least the care and services listed in paragraphs (1) through (5) and (17) of section 1905(a), to—

(i) all individuals—

(I) who are receiving aid or assistance under any plan of the State approved under title I, X, XIV, or XVI, or part A or part E of title IV (including individuals eligible under this title by reason of section 402(a)(37), 406(h), or 473(b), or considered by the State to be receiving such aid as authorized under section [414(g)], 416(i)(6)),

* * * * *

SECTION 102 OF THE JOB TRAINING PARTNERSHIP ACT

ESTABLISHMENT OF PRIVATE INDUSTRY COUNCIL

SEC. 102. (a) There shall be a private industry council for every service delivery area established under section 101, to be selected in accordance with this subsection. Each council shall consist of—

(1) representatives of the private sector, who shall constitute a majority of the membership of the council and who shall be owners of business concerns, chief executives or chief operating officers of nongovernmental employers, or other private sector executives who have substantial management or policy responsibility; and

(2) representatives of educational agencies (representative of all educational agencies in the service delivery area), organized labor, rehabilitation agencies, community-based organizations, economic development agencies, [and] the public employment service, and the State public assistance agency for administering part A of title IV of the Social Security Act.

* * * * *

MINORITY VIEWS ON H.R. 1720, THE FAIR WORKS OPPORTUNITIES PROGRAM

The Minority Members of the Committee agree with the intent of the Fair Work Opportunities Program—to provide to welfare recipients the opportunity to gain education and employment training in order to become self-sufficient and productive in our society. It is clear from the demographics along through, that if we do not provide the means by which these outcomes can be achieved, this nation will become less competitive in the world market and our overall standard of living will suffer. We need a collective effort by all sectors of society to educate and train the numbers of skilled people we are going to need to match the jobs that are being created.

Unless we can assure that every person has the opportunity to obtain basic literacy and skills, we will not be able to fill the jobs that will become available in the future. Over 80 percent of the new entrants into the work force by the year 2000 will be minorities, women and immigrants. Unfortunately, these are the very same individuals that are traditionally overlooked by our education and training institutions.

There are two provisions of the bill however, which contradict the overall direction and purpose of this legislation. The first concerns exempting recipients with children up to the age of 15 from participation in the program if appropriate day care is not available. The second provision relates to the practice of providing a fair hearing at every stage of developing a client agency agreement, which will not only make the administrative procedures burdensome, but time consuming and costly as well.

The statistics are clear. Each month 3.7 million families receive benefits through the Aid to Families with Dependent Children (AFDC) program. Nine out of ten recipient families are headed by women. Sixty percent of the mothers had at least one child under the age of six. The share of AFDC recipients who work at paid jobs has declined from 14.1 percent in 1979 to 5.3 percent in 1983.

These figures contrast markedly with those of women who are in the workforce and have school-age children. For example, in 1985, two-thirds of all mothers of children under the age of 18 worked for pay sometime during the year. In the same year, about 60 percent of mothers with children under the age of 6 worked for a time during that year, although only one-third worked full-time. One consequence of this changing role of women and their involvement in the workforce is that the discrepancy between the labor force participation of women in recipient families and nonrecipient families has become less acceptable. Paid employment is increasingly seen as a viable option for raising the standard of living of recipients.

Despite this discrepancy, the following exemption to participation was included in the bill during Committee consideration:

The parent or other caretaker relative of a child who has attained 6 years of age but not 15 years of age unless appropriate day care is guaranteed to such relative during any period while such child is not in school or is not otherwise receiving care during the time such parent or relative is participating in the program under part C.

Over 54 percent of women with children under the age of 6 work. This figure is four times as great as it was in 1950. Working mothers pay about \$11.1 billion a year for child care for their children under the age of 15 while they are at work. With this provision in the bill, we are creating a double standard: for women who are AFDC recipients, they do not have to participate in the labor force until their last child is 15 or older unless there is day care provided for them; for women who work to maintain a household, they not only have to work, but they have to find suitable day care and pay for it. How can this disincentive to work be justified? What kind of signals are we sending to both welfare recipients and working women? Instead of providing opportunities, we are providing excuses. We have designed yet another unrealistic standard. This provision merely creates another barrier to participation in a program which offers a means to gainful, productive employment.

We do not deny the need for adequate day care. Sufficient day care slots do not currently exist to meet the demand. However, we do not believe that this legislation is the appropriate means by which the overall lack of day care should or can be addressed. To exempt participation for recipients who cannot secure day care for young children who have no alternative supervision and structured activities is reasonable. Providing the same exemption for individuals with teenage children, ignores reality. The issue is not whether appropriate day care should be available, the issue is at what point does the inability to *guarantee* day care become sufficient to justify nonparticipation.

In developing the State plan under this bill, the State is required to provide assurances that necessary supportive services will be available to the participants of the program. These supportive services include appropriate day care. Placing the responsibility on the State to provide adequate day care, rather than exempting the recipient, we believe is the approach that should be taken in addressing this issue.

Our second concern centers around the use of the words "negotiate" and "agreement", and the guarantee of an opportunity for a fair hearing before the State work initiatives agency in the development of a recipient's plan of services. The two particular words in question create an adversarial setting for the development of a plan of services. Even in our most rigorous Federal education law, the Education for All Handicapped Children Act (P.L. 94-142), we do not describe the development of the individual education plan in terms as strong as the word negotiate.

Additionally, a fair hearing is provided,

... in the event of any dispute involving the contents of the family support plan, the contents or signing of the agency-client agreement, the nature or extent of his or her participa-

tion in the program as specified therein, the availability of child care and other supportive services, or any other aspect of such participation . . .

This provision, when coupled with the uncertainty of the extent of the rights provided by the inclusion of the concepts of "negotiate" and "client-agency agreement", raises several concerns. The words negotiate and agreement in and of themselves do not extend any rights to participants beyond those of the program. Linked with the requirement of a fair hearing at any point of dispute though, they can create substantial administrative and procedural burden.

In the Supreme Court case *Goldberg v. Kelly*, it was determined that with respect to the withholding of benefits, a recipient is entitled to minimum due process—a fair hearing. The general regulations under the AFDC program provide for such a hearing. However, the language included in this bill goes beyond the provisions of a fair hearing at a specified point in the process. It allows for a fair hearing at any, and every, point of dispute, at any stage in the process. That is, the bill establishes a new hearing process before, potentially, a new State agency.

The argument is not whether there should be a fair hearing once all administrative procedures have been exhausted, or if the recipient should have access to assistance, review by an independent entity, and a means by which interim disputes can be resolved. None of us wants to deny clients the opportunity to develop, discuss and review their plan of services in an open and informed manner. What we want to avoid though, is the creation of an adversarial situation in which the process can be delayed or stopped at any point of dispute in order to have a formal, fair hearing. The language as it is now written in the bill creates such a situation. We do not believe that the Committee intends to establish barriers to program participation. Unfortunately, this provision would do just that. Instead, we should be finding avenues to move recipients into the services provided—education, training and employment.

Improvements have been made to this bill, and these changes should not be ignored. However, the issues we have raised overshadow these improvements and decrease the probability of achieving the purpose and goals of the program. We will continue to work toward their resolution before the bill is brought to the floor for consideration.

JAMES M. JEFFORDS.
WILLIAM F. GOODLING.
E. THOMAS COLEMAN.
THOMAS E. PETRI.
MARGE ROUKEMA.
STEVE GUNDERSON.
STEVE BARTLETT.
THOMAS J. TAUKE.
RICHARD K. ARMEY.
HARRIS W. FAWELL.
PAUL B. HENRY.
FRED GRANDY.
CASS BALLENGER.

ADDITIONAL VIEWS OF REPRESENTATIVES CASS BALLENGER, RICHARD ARMEY, HARRIS FAWELL, FRED GRANDY, THOMAS PETRI, AND THOMAS TAUKE

During the Education and Labor consideration of the work components sections of the omnibus welfare bill, we supported an amendment to strike the prohibition against mandatory workfare from the bill. Unfortunately, this amendment was defeated.

We firmly believe that welfare reform must include provisions mandating work or work training for able-bodied recipients. Those who receive benefits such as Aid for Families with Dependent Children (AFDC), food stamps or low-income energy assistance should be required to participate in activities that offer the opportunity to gain work skills, job histories and job references. These are important skills, vital to both the recipient and the potential employers.

As noted by many welfare experts, workfare provides the welfare recipients with a sense of responsibility while meeting taxpayer demands that those who benefit from the system work to meet their obligation to society. Contrary to claims of some critics of workfare, most welfare recipients have a positive view of the program, indicating improvement in their family situation, self-concept and prospects of leaving the federal assistance program.

Workfare has been one of the few programs offered by Congress that has had positive effect on reducing the welfare rolls. However, the only places that it has been effective is in states where it has been mandated. This bill removes that mandate and without it the possibility of developing a feeling of self worth when the recipient receives the benefit and knows that he or she has done something to earn that benefit. As noted by Professor Lawrence Mead of the University of Wisconsin, "More than anything else, higher work levels would make welfare more 'respectable.'" Polls indicate that if assistance could be given by way of work, voters would want to spend more on the poor rather than less. Thus, welfare deserves the support of those who seek a generous social policy.

We find it regrettable that workfare as a meaningful option of welfare reform was rejected by the Committee and believe that an alternative that has mandatory requirements to bring welfare recipients into the work force should be considered.

CASS BALLENGER.
RICHARD K. ARMEY.
HARRIS W. FAWELL.
FRED GRANDY.
THOMAS E. PETRI.
THOMAS J. TAUKE.

ADDITIONAL VIEWS OF REPRESENTATIVE MARGE ROUKEMA

I come to the issue of welfare reform not only as a Member of the Education and Labor Committee but also as the Vice Chairman of the Select Committee on Hunger for the past four years. Through our hearings and studies on the problems of hunger in this country it has become apparent that our current welfare program is inconsistent with the economic realities of contemporary society. Therefore, a bi-partisan consensus has developed in support of restructuring our welfare system.

Originally welfare and the AFDC program were designed to help widows and others who were temporarily unable to support themselves. Over the years, however, a culture of poverty and a cycle of dependency have developed.

During this same time, women have been entering and re-entering the workforce with greater frequency than ever before. Today, over 50 million work outside the home, comprising over 44% of our national workforce. The vast majority of all mothers hold down jobs outside the home, and increasingly, they are mothers with young children. Two-thirds of all mothers with children under eighteen work.

The vast majority—some 84 percent—of working poor families contain children. Slightly over one-third of the working poor families are headed by females. They receive no child care assistance except for child care tax credits which are of little value to those whose income is so low they owe little or no tax against which to take a credit.

These dramatic changes in workforce patterns are the consequence of social and economic upheavals. Rising divorce rates are a factor, and of equal or greater significance is the fact that it now takes two wage-earners to sustain the same standard of living that one income could provide just two decades ago. These families are not getting rich. They are getting by.

In large measure these fundamental socio-economic forces are driving the welfare reform movement. In addition, there is a growing awareness that we as a society have not provided the kinds of education and training which are relevant to today's economy. Advances in technology and the acceleration of international competitiveness have created challenges for the training of our workplace.

As the number of two-worker families increases, the key to welfare reform is to maintain a balance of equity between adequate welfare benefits and strong incentives to work. If benefits are not adequate we may have children and families without enough to live on. If benefit are too generous, there is a strong disincentive for the low-income working families. The bill is largely consistent with this purpose but goes too far in a number of respects and threatens to undermine the broad bipartisan consensus.

This bill correctly offers child care assistance to welfare recipients during their participation in the program and during transitional employment. However, I believed that the bill tipped the scales of equity by allowing child care assistance to continue up to a year after the recipient has graduated from the welfare program. This assistance would have been given without regard to the current income level of the former recipient.

As a consequence it would be likely that two people working side by side with the same income could be receiving different treatment. One, a former welfare recipient during their first year out of the program would be getting substantial child care assistance, while their co-worker, long part of the low-income working population, but never a welfare recipient, would be getting nothing. This is a key example of why we must always bear in mind the balance of equity when looking at welfare payments.

Therefore, I offered an amendment which, as modified, would require that this additional year of child care assistance be provided on a sliding scale based on income. This will eliminate an unintended inequity for the low-income families. I am pleased that Mr. Williams was able to recommend a modification to my amendment which allowed the Committee to accept it unanimously.

My amendment does not deny child care assistance to the truly needy. The use of a sliding scale will ensure that individuals who are making very little money receive greater assistance, and individuals who are fortunate enough to earn a higher salary receive a smaller amount of assistance.

To provide child care assistance to all former ADDC recipients for a year, regardless of income level, defies common sense and is inconsistent with the realities faced by other working women.

There is another key provision in which this bill tips the scale of equity. Title 1, section 436(d)(3) permits an AFDC recipient attending an accredited post-secondary institution full-time in pursuit of a four year baccalaureate degree, to be exempted from any job related activities under the Fair Work Opportunities program. Such college attendance would be all that is required to be able to receive welfare and AFDC payments under this new program. There is no requirement for even part-time work.

The proper role of the welfare system is to help individuals through economic crises, enabling them to return to self-sufficiency as soon as possible. While the pursuit of a college degree is certainly laudable and for many opens up the opportunity for a higher-paying job, it is not a necessary prerequisite for economic independence or self-sufficiency.

I strongly oppose this provision and offered an amendment that would require an AFDC recipient who chooses to attend a university in pursuit of a baccalaureate degree also to participate in a job search program. My amendment would make clear that providing health, child care, and living expenses during four years of college falls outside the proper scope of our welfare program.

It would seem apparent that welfare recipients who are skilled enough to gain admission to attend a college are more likely already to possess the skills necessary to obtain some level of employment.

Hundreds of thousands of individuals are currently working their way through community colleges, vocational institutions, and universities. The Bureau of Labor Statistics recently compiled data on individuals who graduated from high school in 1985, and then attended a post-secondary institution. The statistics indicate that of 1,539,000 students enrolled in post-secondary institutions, 593,000 are working, while an additional 90,000 are seeking employment.

This means that $\frac{1}{4}$ of the Class of 1985 work at least part-time while making their way through school. Yet this bill does not require an AFDC recipient to engage in a job search, if attending a full-time baccalaureate program. We expect of some what we do not even ask of others. We should distribute benefits and impose obligations more justly.

My amendment does not prohibit, in any way, the ability of an AFDC recipient to attend a four year undergraduate program. In fact, it assures that a state cannot limit the ability of a recipient to do so. However, if a recipient enrolls in a undergraduate college or university that individual must also attempt to obtain gainful employment, and move toward economic self-sufficiency.

My amendment would not change the provision that allows recipients in a vocational education, job training program, or two year, career directed community college program, to count such attendance as full participation in the Fair Work Opportunities Program. It is only four-year baccalaureate programs which would not be counted as participation under the program. Certainly vocational education, job training program, and other short-term programs are geared to allow recipients to move quickly toward self-sufficiency.

It is also important to note that my amendment would allow an individual who is already enrolled in an undergraduate program, who through extraordinary or tragic circumstances become eligible for AFDC benefits, to complete the current grading period. In addition, it ensures that we do not snatch defeat from the jaws of victory—an individual who is within one year of receiving their degree can complete the remainder of that year without other job-related obligations under the program.

If we create this new program I believe it will become a de facto higher education entitlement program. Such a step would be a grave injustice to those who are presently working their way through college at great personal sacrifice.

The welfare system should be a short term transitional program assimilate recipients quickly into the self-sufficient, working population. When disincentives to work outweigh the incentives, not only do we wreak havoc on the program itself, but we also waste the opportunity to help restore welfare families to personal and financial independence.

I also am strongly opposed to the provision in the bill as reported which exempts welfare recipients with children under 15 from program participation unless adequate day care is available. I agree with the views expressed by my Minority colleagues, but would go further to note that the idea of providing "day care" for young adults, many of whom are looking for work themselves or participating in after-school sports or other activities, is absurd.

Finally, I want to reiterate my strong concern that the words "negotiate" and "agreement" in the bill may add legal complications to the effective administration of the new welfare program. It is my hope that some other choice of words can be made, or that an explicit understanding be reached, before we go further with this bill. In my view, this matter is crucial to the success of the program.

MARGE ROUKEMA.

ADDITIONAL VIEWS ON H.R. 1720

When this effort at welfare reform began, it began in large part as an effort to build upon the reforms initiated over the past few years by a number of state and local governments. Unfortunately, rather than building upon those efforts, the bill passed by the Education and Labor Committee would in several ways undercut the very programs which we should be attempting to support and emulate on the national level.

First, the Education and Labor Committee voted to eliminate the provision permitting states, through special waiver from the Department of Health and Human Services, to require mandatory participation in work and training programs by parents of children under the age of 3. The bill also exempts women from mandatory participation from the moment of pregnancy (as compared to current law which provides an exemption during the last trimester of pregnancy or when medically necessary). Together, these two provisions substantially undercut any mandatory nature of this bill by granting a nearly four year exemption to the largest category of recipients, young mothers, for each child that is born. And these provisions are obviously far more generous than any parental leave policy offered to working parents.

Second, the Education and Labor Committee bill limits participation by parents of children between the ages of three and five to *part-time* work or training. This provision is again completely out of step with what parents who are in the workforce face. And it is highly doubtful that those with the greatest obstacles to employment can overcome those obstacles successfully with only a "part-time" effort.

Third, an amendment adopted by the Education and Labor Committee would prohibit social service agencies from initially requiring job search or job club activities by recipients who do not have a high school degree, until they have completed an education program. Let me point out the difficulty which this amendment causes. A number of programs currently require that, upon application for benefits, a person enroll in and participate in a job club. The job club provides immediate training in job search techniques, as well as group "therapy" including such things as self-esteem development, life planning, and stress management. Yet agencies would be prohibited from requiring participation in such a program for these individuals. In addition, education classes typically run on a regular cycle, while welfare applicants walk in the door every day. By prohibiting any other activity before the person is enrolled in high school completion classes, the bill forces "down time" in the applicant's effort "to get back on his or her feet" of anywhere from a couple of weeks to a couple of months in some parts of the country.

Finally, language added in the Education and Labor Committee would prohibit any state from making any change in its laws or regulations which might be construed as "reducing the level of standards applicable to child care provided within the state." I seriously question whether Congress has sufficient information on child care regulation in all 50 states to justify this rather massive intrusion (which would apply to all child care regulation, not just child care otherwise affected by this bill) into an area of state regulation. For example, some states have found that the quality of child care has been improved by requiring registration, rather than full licensure, of family day care providers, because of the elimination of the "underground" market in this area. Yet this language would likely prohibit states from making these changes. And it is not clear what the impact of this language would be on detailed state regulations covering everything from the number of caregivers to the height of wastebaskets at child care centers.

Let me also add one positive note about the bill. It does, for the first time, move us in the direction of measuring the success or failure of the welfare system not on the basis of "error rates" but on the bases of how quickly persons leave welfare and move into the economic mainstream. I would like to see us go further in that direction; obviously this type of performance measure needs considerable work to insure, for example, that it takes into consideration the hard to serve and the condition of the local economy. But measuring success or failure by how quickly recipients become free of welfare is the type of accountability to which we ought to hold the welfare system, and as this bill moves to the floor for consideration, I urge that we continue to push in that direction.

PAUL B. HENRY.

ADDITIONAL VIEWS BY MR. GUNDERSON

During the Committee's consideration of the Family Welfare Reform Act of 1987, I offered an amendment which would have reinserted the Community Work Experience Program into the Education and Labor substitute for Title I of H.R. 1720. This amendment was not accepted, however I remain convinced that in order for the welfare reform effort to truly be effective, we need to allow states the flexibility to provide long-term employment experience to program participants in need of such assistance.

Basically, this statement would have allowed States to continue to establish and operate Community Work Experience Programs (CWEP) that provide employment and training for individuals not otherwise able to obtain jobs. Like the Ways and Means Committee-reported bill, this amendment would have modified the existing CWEP program providing stronger links to education and training and limiting the duration of program participation. However, a major difference between this amendment and the Community Work Experience Component in H.R. 1720, was that of allowing participation in Work Experience to be extended for a total period of 12 months. Unlike the Ways and Means version, this provision would have allowed service providers and clients to extend CWEP participation an additional 6 months after the initial 6 months participation. However, such an extension would have only been authorized under the modified family support plan following a complete assessment of other program options.

Why do my colleagues who supported this amendment and I feel that it is necessary to include CWEP in a Welfare Reform effort, particularly when the bill already provides for transitional employment and a work experience program?

The Transitional Employment Program provided for in the Committee-reported bill allows States to provide subsidized employment for up to one year to individuals who are unable to secure unsubsidized work. However, such employment is not available to program participants until they have completed 6 months of job search and other employment, training, or education services and are still unable to secure employment. Jobs under this program, like those under CWEP must be with a public or nonprofit private employer, and similar to the Community Work Experience Program as developed in my amendment, work would be provided for up to a six month period, with an additional six month extension if such time is determined to be necessary after a review and modification of the family support plan. However, as stated above, the Transitional Employment Program would not be available to individuals, even to those who wanted to participate in such a program, until 6 months after participation in other program offerings. Whereas, CWEP would be a program option immediately, should the welfare

client choose that program as a part or their mutually agreed upon plan.

The Work Experience Program included in the Committee Substitute in many ways resembles the Community Work Experience Program envisioned in the amendment. In fact, in the Ways and Means Committee-reported bill, this 3-month work experience program is provided as an option under CWEP. Major differences between CWEP and the Work Experience Program as developed in the Education and Labor bill include: The limitation on time periods under which participation are allowed to participate; a limitation on the numbers of hours worked under Work Experience; and populations served by the two programs.

Under the Work Experience Program as developed by education and Labor, no participant may be assigned unless: His or her initial assessment identifies lack of recent work experience as a barrier for immediate placement in regular public or private employment; the participant is unable to be placed in work supplementation programs or unsubsidized employment; *and* the participant has not been employed during the preceding 12 months. This virtually eliminates participation of those who truly want to work in exchange for benefits during their initial participation in the AFDC program but who have worked at one time or another during the past 12 month period and who are now unable to secure unsubsidized employment or a position in the work supplementation program. In states with high levels of unemployment, CWEP may be the only form of employment open to AFDC recipients, who according to the Committee bill are ineligible for Transitional Employment for a 6 month period until other work activities have been completed.

Further, for those who really do lack work experience, the limited 6 month period under which individuals may participate in the Work Experience program, may not be enough time to gain the employment skills necessary to make them marketable in the private sector workplace. It is a documented fact that one of the largest barriers to employment amongst public assistance recipients is their lack of work experience. The modified CWEP program provides such employment experience, up front, and if offered specifically to improve employability—in combination with training and other employment services, Community Work Experience could provide the necessary step up to many welfare recipients.

I am certainly not advocating a system where only work experience is offered. In addition to the exchange of work for benefits inherent in CWEP, the amendment offered in Committee and the CWEP provisions in the Ways and Means' bill required that training be offered in combination with work experience. Further, during Education and Labor consideration of its Substitute, an amendment was adopted which requires participation in appropriate education activities by all individuals lacking a high school diploma or its equivalent, with such educational services based on individual needs as identified in the participant's initial assessment. Education and training, particularly basic skills training where necessary are essential in making the hardest to serve individuals employable. My amendment would have allowed States and local service deliverers to develop individual, mutually agreed-upon

plans that could provide meaningful work experience, immediately for those individuals who want to work for their assistance while participating in other program offerings

Finally, many make the argument that CWEP or "workfare" is a punitive form of assistance in which participants are placed in "make-work" jobs and made to work off their benefits. Certainly there are cases in which abuses have occurred, and none should ever be forced into positions of servitude. However there are many success stories whereby states who have operated CWEP programs under the WIN Demonstration Programs have provided worthwhile experience to participants some of whom wanted to participate in CWEP and some who initially did not, but who through such participation have since gained a degree of self-worth and dignity, not to mention employment skills, they had never possessed and for which they are now thankful. The idea of providing public assistance recipients with a sense of responsibility for participation in work and work-related programs in exchange for their assistance, should not be discouraged. This form of assistance and encouragement for self-responsibility and accountability is the only way in which we will ever break this Country's cycle of poverty.

STEVE GUNDERSON.

ADDITIONAL VIEWS OF HON. TIMOTHY J. PENNY

The Education and Labor Committee's welfare reform bill should be amended so it will better achieve the goal it seeks to accomplish, namely, to place those currently on welfare in the workplace. While I support welfare reform, the Kildee amendments to increase the authorization, and the age requirement are provisions that I can not support.

The bill originally provided that participation in the program for parents with children under the age of three would be voluntary. Unfortunately, during committee consideration this age was increased to 14. I also disagree with the Kildee amendment to increase the authorization by \$150 million. In this time of skyrocketing deficits, an increase in the already high cost of the bill, \$500 million, should not occur.

In addition, I feel the leadership of the committee should not schedule a mark-up at the same time as a Democratic Caucus meeting. I was not able to actively participate in the mark-up because I was at the Caucus meeting. The Caucus focused on key deficit reduction issues such as taxes and a Gramm-Rudman fix, and deserved the participation of all Democratic Members. It is distressing that the mark-up of an expensive and extensive welfare reform bill was conducted at a time when several of us were busy at an equally important Caucus meeting. I would hope that the next time an important bill such as this is marked up, a similar scheduling conflict does not arise.

TIMOTHY J. PENNY.

FAMILY WELFARE REFORM ACT OF 1987

SEPTEMBER 15, 1987.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. DINGELL, from the Committee on Energy and Commerce,
submitted the following

REPORT

together with

ADDITIONAL AND DISSENTING VIEWS

[To accompany H.R. 1720 which on March 19, 1987, was referred to the Committee on Ways and Means, and in addition referred to the Committee on Education and Labor for consideration of such provisions of title I of the bill as fall within the jurisdiction of that committee under clause 1(g), rule X, and the Committee on Energy and Commerce for consideration of such provisions of title IV of the bill as fall within the jurisdiction of that committee under clause 1(h), rule X]

[Including cost estimate of the Congressional Budget Office]

The Committee on Energy and Commerce, to whom was referred the bill (H.R. 1720) to replace the existing AFDC program with a new Family Support Program which emphasizes work, child support, and need-based family support supplements, to amend title IV of the Social Security Act to encourage and assist needy children and parents under the new program to obtain the education, training, and employment needed to avoid long-term welfare dependence, and to make other necessary improvements to assure that the new program will be more effective in achieving its objectives, having considered the same, report favorably thereon with an amendment and recommend that the bill as amended do pass.

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The amendment (stated in terms of the page and line numbers of the introduced bill) is as follows:

Page 46, strike line 12 and all that follows through page 47, line 22, and insert in lieu thereof the following (and conform the table of contents accordingly):

TITLE IV—TRANSITIONAL MEDICAID SERVICES FOR FAMILIES

SEC. 401. MEDICAID ELIGIBILITY.

(a) **IN GENERAL.**—Title XIX of the Social Security Act is amended by redesignating section 1921 as section 1922 and by inserting after section 1920 the following new section:

“EXTENSION OF MEDICAID BENEFITS

“SEC. 1921. (a) INITIAL 6-MONTH EXTENSION.—

“(1) **REQUIREMENT.**—Notwithstanding any other provision of this title, each State plan approved under this title must provide that each family which was receiving aid pursuant to a plan of the State approved under part A of title IV in at least 3 of the 6 months immediately preceding the month in which such family becomes ineligible for such aid, because of hours of, or income from employment of the caretaker relative (as defined in subsection (e)), shall, subject to paragraph (3) and without any reapplication for benefits under the plan, remain eligible for assistance under the plan approved under this title during the immediately succeeding 6-month period in accordance with this subsection.

“(2) **NOTICE OF BENEFITS.**—Each State, in the notice of termination of aid under part A of title IV sent to a family meeting the requirements of paragraph (1)—

“(A) shall notify the family of its right to extended medical assistance under this subsection and include in the notice a description of the circumstances (described in paragraph (3)) under which such extension may be terminated; and

“(B) shall include a card or other evidence of the family’s entitlement to assistance under this title for the period provided in this subsection.

“(3) TERMINATION OF EXTENSION.—

“(A) NO DEPENDENT CHILD.—Subject to subparagraph (B), extension of assistance during the 6-month period described in paragraph (1) to a family shall terminate (during such period) at the close of the first month in which the family ceases to include a child who is (or would if needy be) a dependent child under part A of title IV; except that, with respect to a child who would cease to receive medical assistance because of this subparagraph but who may be eligible for assistance under the State plan because the child is described in clause (i) or (v) of section 1905(a), the State may not discontinue such assistance under this subparagraph until the State has determined that the child is not eligible for assistance under the plan.

“(B) NOTICE BEFORE TERMINATION.—No termination of assistance shall become effective under subparagraph (A) until the State has provided the family with notice of the grounds for the termination.

“(4) SCOPE OF COVERAGE.—

“(A) IN GENERAL.—Subject to subparagraph (B), during the 6-month extension period under this subsection, the amount, duration, and scope of medical assistance made available with respect to a family shall be the same as if the family were still receiving aid under the plan approved under part A of title IV.

“(B) STATE MEDICAID ‘WRAP-AROUND’ OPTION.—A State, at its option, may pay a family’s expenses for premiums, deductibles, coinsurance, or similar costs for health insurance or other health coverage offered by a employer of the caretaker relative or the absent parent of a dependent child. In the case of such coverage offered by an employer of the caretaker relative—

“(i) the State may require the caretaker relative, as a condition of extension of coverage under this subsection, to make application for such employer coverage, but only if—

“(I) the caretaker relative is not required to make financial contributions for such coverage (whether through payroll deduction, payment of deductibles, coinsurance, or similar costs, or otherwise), and

“(II) the State provides, directly or otherwise, for payment of any of the premium amount, deductible, coinsurance, or similar expense that the employee is otherwise required to pay; and

“(ii) the State shall treat the coverage under such an employer plan as a third party liability (under section 1902(a)(25)).

Payments for coverage under this subparagraph shall be considered, for purposes of section 1903(a), to be payments for medical assistance.

“(b) MANDATORY 18-MONTH EXTENSION.—

“(1) REQUIREMENT.—Notwithstanding any other provision of this title, each State plan approved under this title shall provide that the State shall offer to each family, which has received assistance during the entire 6-month period under subsection (a) and which meets the requirement of paragraph (2)(B), in the last month of the period the option of extending coverage under this subsection for the succeeding 18-month period, subject to paragraph (3).

“(2) NOTICE OF OPTION.—

“(A) IN GENERAL.—Each State, during the 3rd and 6th month of any extended assistance furnished to a family under subsection (a), shall notify the family of the family’s option for subsequent extended assistance under this subsection. Each such notice shall include (i) a statement as to whether any premiums are required for such extended assistance, and (ii) a description of other out-of-pocket expenses, benefits, reporting and payment procedures, and any pre-existing condition limitations, waiting periods, or other coverage limitations imposed under any alternative coverage options offered under paragraph (4)(D).

“(B) REPORTING OF EARNINGS REQUIRED TO DETERMINE ANY PREMIUM.—If the State requires a premium for extended assistance under this subsection, the State may require (as a condition for extended assistance under this subsection) that a family receiving extended assistance under subsection (a) report to the State, not later than the 21st day of the 4th month in the period of extended assistance under subsection (a), on the family’s gross monthly earnings (less the cost of day care for dependent children) in each of the first 3 months of that period; but such requirement shall only apply if the notice under subparagraph (A) during the 3rd month of assistance describes the requirement of this subparagraph.

“(C) 6TH MONTH NOTICE.—The notice under subparagraph (A), furnished during the 6th month of assistance under this subsection, shall describe the amount of any premium required of a particular family for each of the first 3 months of extended assistance under this subsection.

“(3) TERMINATION OF EXTENSION.—

“(A) IN GENERAL.—Subject to subparagraphs (B) and (C), extension of assistance during the 18-

month period described in paragraph (1) to a family shall terminate (during the period) as follows:

“(i) NO DEPENDENT CHILD.—The extension shall terminate at the close of the first month in which the family ceases to include a child who is (or would if needy be) a dependent child under part A of title IV.

“(ii) FAILURE TO PAY ANY PREMIUM.—If the family fails to pay any premium for a month under paragraph (5) by the 21st day of the following month, the extension shall terminate at the close of that following month, unless the individual has established, to the satisfaction of the State, good cause for the failure to pay such premium on a timely basis.

“(iii) QUARTERLY INCOME REPORTING AND TEST.—The extension shall terminate at the close of the 1st, 4th, 7th, 10th, 13th, or 16th month of the 18-month period if—

“(I) the family fails to report to the State, by the 21st day of such month, information on the family’s gross monthly earnings (less the costs of day care for dependent children) in each of the previous 3 months, unless the family has established, to the satisfaction of the State, good cause for the failure to report on a timely basis; except that this subclause shall not apply unless the State has notified the family, in the month before the month in which information is required to be reported under this subclause, of the reporting requirement of this subclause;

“(II) the caretaker relative had no earnings in one or more of the previous 3 months, unless such lack of any earnings was due to an involuntary loss of employment, illness, or other good cause, established to the satisfaction of the State; or

“(III) the State determines that the family’s average gross monthly earnings (less costs of day care for dependent children) during the immediately preceding 3-month period exceeds 185 percent of the official poverty line (as defined by the Office of Management and Budget, and revised annually in accordance with section 673(2) of the Omnibus Budget Reconciliation Act of 1981) applicable to a family of the size involved.

Instead of terminating a family’s extension under clause (I), a State, at its option, may

provide for suspension of the extension until the month after the month in which the family reports information required under that subclause, but only if the family's extension has not otherwise been terminated under subclause (II) or (III).

Information described in clause (iii)(I) shall be subject to the restrictions on use and disclosure of information provided under section 402(a)(9). The State shall make determinations under clause (iii)(III) for a family each time a report described in clause (iii)(I) for the family is received.

“(B) NOTICE BEFORE TERMINATION.—No termination of assistance shall become effective under subparagraph (A) until the State has provided the family with notice of the grounds for the termination, which notice shall include (in the case of termination under subparagraph (A)(iii)(II), relating to no continued earnings) a description of how the family may reestablish eligibility for medical assistance under the State plan.

“(C) CONTINUATION IN CERTAIN CASES UNTIL RE-DETERMINATION.—

“(i) DEPENDENT CHILDREN.—With respect to a child who would cease to receive medical assistance because of subparagraph (A)(i) but who may be eligible for assistance under the State plan because the child is described in clause (i) or (v) of section 1905(a), the State may not discontinue such assistance under such subparagraph until the State has determined that the child is not eligible for assistance under the plan.

“(ii) MEDICALLY NEEDY.—With respect to an individual who would cease to receive medical assistance because of clause (ii) or (iii) of subparagraph (A) but who may be eligible for assistance under the State plan because the individual is within a category of person for which medical assistance under the State plan is available under section 1902(a)(10)(C) (relating to medically needy individuals), the State may not discontinue such assistance under such subparagraph until the State has determined that the individual is not eligible for assistance under the plan.

“(4) COVERAGE.—

“(A) IN GENERAL.—During the extension period under this subsection—

“(i) the State plan shall offer to each family medical assistance which (subject to subparagraphs (B) and (C)) is the same amount, duration, and scope as would be made available to the family if it were still receiving aid under

the plan approved under part A of title IV; and

“(ii) the State plan may offer alternative coverage described in subparagraph (D).

“(B) ELIMINATION OF MOST NON-ACUTE CARE BENEFITS.—At a State’s option and notwithstanding any other provision of this title, a State may choose not to provide medical assistance under this subsection with respect to any (or all) of the items and services described in paragraphs (4)(A), (6), (7), (8), (11), (13), (14), (15), (16), (18), (20), and (21) of section 1905(a).

“(C) STATE MEDICAID ‘WRAP-AROUND’ OPTION.—At a State’s option, the State may elect to apply the option described in subsection (a)(4)(B) (relating to ‘wrap-around’ coverage) for families electing medical assistance under this subsection in the same manner as such option applies to families provided extended medical assistance under subsection (a).

“(D) ALTERNATIVE ASSISTANCE.—At a State’s option, instead of the medical assistance otherwise made available under this subsection the State may offer families a choice of health care coverage under one or more of the following:

“(i) ENROLLMENT IN FAMILY OPTION OF EMPLOYER PLAN.—Enrollment of the caretaker relative and dependent children in a family option of the group health plan offered to the caretaker relative.

“(ii) ENROLLMENT IN FAMILY OPTION OF STATE EMPLOYEE PLAN.—Enrollment of the caretaker relative and dependent children in a family option within the options of the group health plan or plans offered by the State to State employees.

“(iii) ENROLLMENT IN STATE UNINSURED PLAN.—Enrollment of the caretaker relative and dependent children in a basic State health plan offered by the State to individuals in the State (or areas of the State) otherwise unable to obtain health insurance coverage.

“(iv) ENROLLMENT IN HMO.—Enrollment of the caretaker relative and dependent children in a health maintenance organization (as defined in section 1903(m)(1)(A)) less than 50 percent of the membership (enrolled on a pre-paid basis) of which consists of individuals who are eligible to receive benefits under this title (other than because of the option offered under this clause). The option of enrollment under this clause is in addition to, and not in lieu of, any enrollment option that the State might offer under subparagraph (A)(i) with re-

spect to receiving services through a health maintenance organization in accordance with section 1903(m).

If a State elects to offer an option to enroll a family under this subparagraph, the State shall pay any premiums and other costs for such enrollment imposed on the family. A State's payment of premiums for the enrollment of families under this subparagraph (not including any premiums otherwise payable by an employer and less the amount of premiums collected from such families under paragraph (5)) shall be considered, for purposes of section 1903(a)(1), to be payments for medical assistance.

“(E) OPEN ENROLLMENT.—If a State offers an alternative option under subparagraph (D) to families, the State must offer such families the option of enrolling or disenrolling in such an option during a one month period each year without cause and, in the case of enrollment under clause (iii) or (iv) of such subparagraph, the option of disenrolling from the organization of plan for cause at any time.

“(F) PROHIBITION ON COST-SHARING FOR MATERNITY AND PREVENTIVE PEDIATRIC CARE.—

“(i) IN GENERAL.—If a State offers an alternative option under subparagraph (D) for families, under the option the State must assure that care described in clause (ii) is available without charge to the families through—

“(I) payment of any deductibles, coinsurance, or other cost-sharing respecting such care, or

“(II) providing coverage under the State plan for such care without any cost-sharing, or any combination of such mechanisms.

“(ii) CARE DESCRIBED.—The care described in this clause consists of—

“(I) services related to pregnancy (including prenatal, delivery, and postpartum services), and

“(II) ambulatory preventive pediatric care (including ambulatory early and periodic screening, diagnosis, and treatment services under section 1905(a)(4)(B)) for each child who meets the age and date of birth requirements to be a qualified child under section 1905(n)(2).

“(5) PREMIUM.—

“(A) PERMITTED.—Notwithstanding any other provision of this title (including section 1916), a State may impose a premium for a family for ex-

tended coverage under this subsection, which premium may vary by family size.

“(B) LEVEL MAY VARY BY OPTION OFFERED.—The level of such premium may vary, for the same family, for each option offered by a State under paragraph (4)(C).

“(C) LIMIT ON PREMIUM.—In no case may the amount of any premium under this paragraph for a family for a month in one of the premium payment periods described in subparagraph (D)(ii) exceed 10 percent of the amount by which—

“(i) the family’s average gross monthly earnings (less the costs of day care for dependent children) during the premium base period (as defined in subparagraph (D)(iii)), exceeds

“(ii) the monthly minimum wage earnings (as defined in subparagraph (D)(i)) for the period.

“(D) DEFINITIONS.—In subparagraph (C):

“(i) The term ‘monthly minimum wage earnings’ means the average amount of earnings which one person would earn during a month in the period if the person were employed for 8 hours on each weekday in the month and was paid the minimum wage rate provided under section 6(a) of the Fair Labor Standards Act of 1938.

“(ii) A ‘premium payment period’ described in this clause is a 3-month period beginning with the 1st, 4th, 7th, 10th, 13th, or 16th month of the 18-month extension period provided under this subsection.

“(iii) The term ‘premium base period’ means, with respect to a particular premium payment period, the period of 3 consecutive months the last of which is 4 months before the beginning of that premium payment period.

“(c) APPLICABILITY IN STATES AND TERRITORIES.—

“(1) STATES OPERATING UNDER DEMONSTRATION PROJECTS.—In the case of any State which is providing medical assistance to its residents under a waiver granted under section 1115(a), the Secretary shall require the State to meet the requirements of this section in the same manner as the State would be required to meet such requirement if the State had in effect a plan approved under this title.

“(2) INAPPLICABILITY IN COMMONWEALTHS AND TERRITORIES.—The provisions of this section shall only apply to the 50 States and the District of Columbia.

“(d) GENERAL DISQUALIFICATION FOR FRAUD.—This section shall not apply to an individual who is a member of a family if the individual’s eligibility for aid was terminated because of fraud or the imposition of a sanction.

“(e) CARETAKER RELATIVE DEFINED.—In this section, the term ‘caretaker relative has the meaning of such term as used in part A of title IV.”.

(b) CONFORMING AMENDMENTS.—(1) Section 1902(e)(1) of such Act (42 U.S.C. 1396a(e)(1)) is amended by striking “Notwithstanding” and all that follows through the end and inserting the following: “For provision relating to extension of coverage for certain families which have received aid pursuant to a State plan approved under part A of title IV and which have earned income, see section 1921.”.

(2) Section 1905(a) of such Act (42 U.S.C. 1396d(a)) is amended by striking “or” at the end of clause (vii), by inserting “or” at the end of clause (viii), and by inserting after clause (viii) the following new clause:

“(ix) individuals provided extended benefits under section 1921.”.

(c) WAIVER.—Upon approval of the demonstration project relating to the Family Independence Program in the State of Washington under section 807 of this Act (as added by the amendment reported by the Committee on Ways and Means to H.R. 1720) and with respect to such project, the Secretary of Health and Human Services shall waive compliance with any requirements of sections 1902(a)(1) 1916, and 1921 of the Social Security Act, but only to the extent necessary to enable the State to carry out the project as enacted by the State of Washington in May 1987.

SEC. 402. EXTENSION DUE TO COLLECTION OF CHILD OR SPOUSAL SUPPORT.

(a) IN GENERAL.—Section 1902(e)(1) of the Social Security Act (42 U.S.C. 1396a(e)(1)) is amended by inserting “(A)” after “(e)(1)” and by adding at the end the following new subparagraph:

“(B) Notwithstanding any other provision of this title, each dependent child, and each relative with whom such a child is living (as such terms are defined in part A of title IV, and including the spouse of such a relative as described in section 406(b)), who—

“(i) becomes ineligible for aid under part A of title IV as a result (wholly or partly) of the collection or increased collection of child or spousal support under part D of such title, and

“(ii) has received such aid in at least three of the six months immediately preceding the month in which such ineligibility begins,

shall be deemed, for purposes of this title, to be a recipient of aid under part A of title IV for an additional 6 calendar months beginning with the month in which such ineligibility begins.”.

(b) CONSTRUCTION.—Section 1902(h) of such Act (42 U.S.C. 1396a(h)) is amended by inserting “(1)” after “(h)” and by adding at the end the following new paragraphs:

"(2) Nothing in section 417(a)(1) shall be construed as requiring or authorizing a case manager assigned under such section to conduct any activities with respect to medical assistance furnished (or which may be furnished) under this title.

"(3) Any individual who would be receiving aid under part A of title IV but for section 417(b)(1)(A) shall be considered, for purposes of this title, to be receiving such aid."

SEC. 403. EFFECTIVE DATE.

(a) IN GENERAL.—The amendments made by this title shall apply (except as provided under subsection (b)) to payments under title XIX of the Social Security Act for calendar quarters beginning on or after January 1, 1988 (without regard to whether regulations to implement such amendments are promulgated by such date), with respect to families that cease to be eligible for aid under part A of title IV of the Social Security Act on or after such date.

(b) DELAY.—In the case of a State plan for medical assistance under title XIX of the Social Security Act which the Secretary of Health and Human Services determines requires State legislation (other than legislation appropriating funds) in order for the plan to meet the additional requirements imposed by the amendments made by this title, the State plan shall not be regarded as failing to comply with the requirements of title XIX of such Act solely on the basis of its failure to meet these additional requirements before the first day of the first calendar quarter beginning after the close of the first regular session of the State legislature that begins after the date of the enactment of this Act.

PURPOSE AND SUMMARY

The Committee amendment to H.R. 1720 has three basic purposes. First, the amendment is intended to encourage families receiving both Medicaid and cash assistance under the Aid to Families with Dependent Children (AFDC) program to work and to remain at work. The amendment would assure continued Medicaid or alternate health care coverage for these mothers and children for 24 months from the time they lose AFDC benefits because of earnings or increased hours of employment, so long as they continue working. Secondly, the amendment is intended to reduce the number of working poor families with no health care coverage. Finally, the amendment is designed to complement and encourage existing State efforts to make health care coverage available to the uninsured.

During FY 1988, the Committee amendment will provide health care coverage to about 475,000 working poor families, including roughly 950,000 children, according to estimates supplied by the Congressional Budget Office.

By providing extended Medicaid coverage to families who leave the cash assistance rolls and continue to work, the Committee amendment will result in additional Federal outlays. These outlays

are assumed by the Budget Resolution for FY 1988, H. Con. Res. 93, which provides a total of \$2.4 billion in new entitlement authority for several Medicaid initiatives during the three year period FY 1988-FY 1990, including an initiative to address the needs of working welfare recipients.

The Committee amendment would not impose any requirements on employers or insurers. While the Committee amendment would allow the States, with Federal Medicaid matching funds, to purchase employer group health coverage on behalf of former AFDC families for a limited period of time, the amendment does not require employers to offer health care coverage and does not impose minimum specifications relating to any coverage they might choose to offer.

The Family Welfare Reform Act, H.R. 1720, was jointly referred to the Committee on Energy and Commerce for consideration of the provisions of title IV of the bill, relating to transitional Medicaid coverage for families. The Committee amendment affects only this title of H.R. 1720. The Committee has not considered, and makes no recommendations regarding, the remaining titles of H.R. 1720.

The Committee notes that the Committee on Ways and Means, which does not have jurisdiction over the Medicaid program, has recommended that States be required to extend Medicaid benefits for a 6 month period to those families that leave welfare with earnings. In this Committee's view, the Ways and Means Committee's recommendation is at once overly broad and overly restrictive. It is overly broad because it would extend Medicaid coverage to those working recipients who lose AFDC benefits not because they earn too much, but because they marry and therefore lose their categorical eligibility for benefits. It is overly restrictive because it would extend the current Medicaid benefit for most recipients by only 2 months, and because for some recipients it would actually reduce the coverage available under current law from 9 (or, in some States, 15) months. Six months is not a sufficient amount of time for most former welfare recipients to work their way into a job that offers affordable health care coverage for them and their children. The work disincentive under current law resulting from the loss of Medicaid eligibility after 4 months would not be significantly reduced.

BACKGROUND AND NEED FOR THE LEGISLATION

Women with children on AFDC face a major work disincentive under current law. As long as they continue to receive a cash payment under AFDC, they are automatically eligible to receive Medicaid coverage for themselves and their children. However, if they go to work, or increase their hours at work, and earn enough to lose cash assistance, they will lose their Medicaid coverage as early as four months later—whether or not their employer offers health care coverage, whether or not they can afford the coverage that their employer offers, and whether or not whatever coverage they can afford is adequate. Unlike the AFDC or Food Stamp programs, Medicaid benefits to working families do not phase down gradually

as earnings increase; instead, they terminate abruptly. Economists often refer to this disincentive as the Medicaid "cliff" or "notch."

While there is general agreement that the abrupt loss of Medicaid benefits is a work disincentive, there is not much agreement on how strong this disincentive is in the aggregate. The Congressional Budget Office provided the following illustration of the Medicaid notch in one hypothetical case:

. . . consider an AFDC mother with one child whose countable income is \$4,200 in a State with a payment level of \$4,800, and no medically needy program. If she works longer hours and her countable income increases by \$50 per month, she will eventually lose \$50 per month in cash assistance. In addition, she will lose Medicaid benefits that cost an average of \$150 per month to provide. For this working mother, the implicit "tax rate" on the increase in her earnings is 400 percent. [This "tax rate" represents a loss of \$200 (\$50 from AFDC and \$150 from Medicaid) resulting from an increase in earnings of \$50—and $200/50=400$ percent].

While not every AFDC mother faces a 400 percent "tax rate" for returning to work, it is evident that the loss of Medicaid coverage can discourage these women from working, particularly if their only employment opportunities are low-paying jobs that do not offer health insurance coverage and if they or their children have serious health care needs.

Despite the disincentive, many AFDC mothers do go to work. If her employer does not offer health benefits, or if she cannot afford the monthly premiums, she and her children will be uninsured. This makes it extremely difficult for the family to have access to needed health care services, and it exposes the family to the risk of financial catastrophe. The Subcommittee on Health and the Environment heard from a mother of three who had found a job, left public assistance, and was in the third month of her four-month Medicaid transition coverage. She testified:

Now that I am losing my Medicaid, I will have no health care coverage. My employer does have health insurance that I can buy; however, I cannot afford the \$118 a month for the coverage. In addition to the monthly fee, the insurance plan would require me to pay a yearly \$100 deductible plus 20 percent of the first \$3500 of expenses. The plan would also require me to pay \$3 for each prescription. Compared to Medicaid, this plan covers fewer services. Dental and eye care are not covered at all, for example.

I receive \$502.68 every two weeks in salary. From that I must pay my rent of \$345 per month, \$400 per month for food, \$60 per month at the laundromat, and \$100 or more for my car which is not in the best shape. I must have a car to keep my current job. That leaves me about \$50 per month for my telephone and other expenses to maintain a household and care for and clothe three teenage girls and myself.

I simply cannot afford to pay \$118 a month plus all the other costs for health insurance that covers less than my Medicaid covers.

You may ask what will happen to us, if we need health care? What would I do if my daughter has another asthma attack? I would make sure I got her the medical care she needs and in so doing I would make a lot of bills I couldn't pay. Then I'd probably have collection agencies after me and get my wages garnished.

About 37 million Americans have no public or private health insurance coverage at some point during the year. According to the Employee Benefit Research Institute, the overwhelming majority of the uninsured—roughly 87 percent—live in families where someone works either full-time or part-time. More than half (52 percent) live in families where the principal earner is a full-time, steadily-employed worker. Working families, and especially working poor families, lack health care coverage primarily because low-wage employers often do not offer coverage, the family can't afford it after rent, food, commuting, child care, and other essential expenses are met.

Mothers and children leaving welfare represent a significant portion of the uninsured. Roughly half a million families leave AFDC each year because of increased earnings or increased hours of work. (In FY 1986, roughly 3.7 million families received AFDC benefits, and therefor Medicaid. This population included about 7.3 million children, as well as some 3.7 million adults, mostly mothers). These families, normally headed by young, single, poorly-educated women with few job skills and little prospect for immediate employment in a firm that offers good fringe benefits, are at great risk for being uninsured. According to CBO, studies indicate that only about half of all unmarried women losing AFDC benefits and Medicaid due to increased earnings have private health insurance coverage. A 1985 study by the General Accounting Office found that, within a year of losing AFDC and Medicaid after returning to work, 50 percent of former AFDC families were completely uninsured; the comparable rate for the non-elderly population in general was 17.4 percent. The lower the woman's hourly wages, the greater the likelihood that she and her children will be uninsured after losing AFDC and Medicaid.

The loss of Medicaid coverage, and the lack of any employer group coverage, dramatically reduces the use of medical care by low-income families. Available data, according to CBO, suggest that low-income families without health insurance are 38 percent less likely to use physician services and 71 percent less likely to use hospital services than are low-income families eligible for Medicaid. Yet low-income children are more likely than their higher income counterparts to have worse health and more chronic or serious illnesses. The lack of health care coverage jeopardizes the health of working poor mothers and their children; serious medical conditions may go undetected or untreated, and preventive services may well be delayed or foregone.

In short, former AFDC families that work their way off welfare have the greatest need for health care coverage, because they are

least able to pay for services out of pocket and because their health is more likely to be poor. Yet these are precisely the families that, under current law, are among those most likely to be uninsured.

A number of States have begun to address the needs of the uninsured by implementing programs that will reduce the number of workers without health care coverage. According to the National Governors' Association, at least three States—Maine, Michigan, and Washington—are attempting to develop “affordable health plan structures” that not only delay the loss of Medicaid benefits for working AFDC families, but also provide a transition to longer-term health coverage for poor and near-poor working families alike. In addition, the Robert Wood Johnson Foundation, through its Health Care for the Uninsured Program, has funded 15 projects throughout the country to develop insurance products for small employers that do not now offer health insurance coverage to their employees and dependents.

In the view of the Committee, efforts to make AFDC families economically self-sufficient must address the consequences of the loss of Medicaid coverage. Without extended Medicaid coverage to ease the transition from welfare to work, AFDC families will continue to face strong disincentives to work, a great likelihood of being uninsured once they leave welfare, and high financial barriers to needed physician and hospital care. We as a Nation cannot afford, in the name of “welfare reform,” to add large numbers of working poor women and children to the ranks of the uninsured. The costs of such a policy to the health of low-income women and children are simply unacceptable.

EXPLANATION OF LEGISLATION

CURRENT LAW

Under current law, States must provide Medicaid benefits to families with dependent children who receive cash assistance under the AFDC program. About half the States offer AFDC benefits to children in two-parent families where one of the parents is unemployed. To receive AFDC payments, a family must have a gross income that does not exceed 185 percent of the State-established need standard. In addition, the family's counted income must be below the State established AFDC payment standard (which in nearly 30 States is below the State's AFDC need standard). As of December, 1986, the average Medicaid eligibility standard for a mother and two children—which is a function of each State's AFDC payment standard—was 49 percent of the Federal poverty level, ranging from 15 percent of poverty in Alabama to 91 percent of poverty in Utah.

To encourage AFDC families to work, current law does not count, or disregards, certain earned income in determining the level of payments, if any, a family can receive. In addition to disregarding work expenses (up to \$75 per month) and child care costs (up to \$160 per month per child), current law disregards the first \$30 in monthly earnings plus one-third of remaining earnings. These so-called “earned income disregards” are time-limited, however; after the first 4 months of work, the one-third of remaining

earnings are no longer disregarded, while the initial \$30 continues to be disregarded for a total of 12 months.

If a family has received AFDC benefits in at least 3 of the 6 months in which the family becomes ineligible for AFDC because of increased income from, or increased hours of, employment, the family is entitled to continued Medicaid coverage for 4 months, beginning with the month in which the family became ineligible for AFDC. (Section 1902(e)(1) of the Social Security Act). Thus, if a family loses AFDC eligibility because its countable income exceeds the payment standard after disregarding \$30 plus one-third of the remaining earnings, it is entitled to 4 months of continued Medicaid coverage.

If a family loses eligibility for AFDC payments because the disregard of one-third of the remaining earnings is no longer available to it after 4 months, or because the first \$30 disregard is not available to it after 12 months, States must extend Medicaid coverage for 9 months from the month in which the family lost AFDC. States may, at their option, expand this 9-month mandatory coverage period to a total of 15 months for this group of families. (Section 402(a)(37) of the Social Security Act). Thus, unlike the families who qualify for the mandatory 4-month Medicaid extension, families that qualify for 9 months (and in some States, up to 15 months) of extended Medicaid coverage lose AFDC eligibility because they no longer have the benefit of the \$30 or the one-third disregards, not because their earned income is so high that even if they had the benefit of the disregards they would not receive AFDC.

The following examples illustrate the effect of current law. Assume a State with an AFDC need standard of \$478 per month and an AFDC payment standard of \$345 per month for a mother and two children (this would give the State a rank of 28th in cash benefits levels). The mother takes a 40-hour per week job at \$4.00 an hour; the job does not offer health insurance. She has child care costs after school of \$80 per month for each child, and work-related expenses other than child care of \$75 for the month, but has no income other than earnings and AFDC. She continues her AFDC benefits in the first month of full employment. Her gross earnings of \$688 (based on an average of 4.3 weeks in a month) are less than 185 percent of the need standard, or \$884. Her countable income—\$688 gross earnings, less work-related expenses (\$75), less child care (\$160), less the earned income disregard (\$30 plus one-third of \$423, or \$141)—is \$282, which is less than the payment standard of \$345 per month. She and her children will continue to receive Medicaid coverage on the basis of her receipt of cash assistance.

Assume next that after some time on the job, the mother receives a raise to \$4.25 per hour, and that she continues to work 40 hours per week. She would continue to receive her AFDC benefits in the first four months of full employment at this new wage. Her gross income of \$731 (based on an average of 4.3 weeks in a month) is still under 185 percent of the need standard. Her countable income—\$731 gross earnings, less work-related expenses (\$75), less child care (\$160), less the earned income disregard (\$30 plus one-third of \$466, or \$155)—is \$311, which is less than the AFDC payment standard of \$345. After the fourth month of working full-time at \$4.25 per hour, however, the one-third remaining earned income

disregard is no longer applied in determining her countable income. At that point, she becomes ineligible for AFDC benefits, because her monthly countable income is \$466, or more than the \$345 AFDC payment standard. She will be entitled to receive Medicaid coverage for 9 months, because she lost AFDC due to the expiration of an earned-income disregard. After this 9-month extension coverage, she and her children will be uninsured.

Finally, assume the mother's raise is to \$4.75 per hour rather than \$4.25. She would lose her AFDC cash assistance in the first full month of employment at this new wage level. Her gross monthly earnings of \$817 (assuming an average of 4.3 weeks in a month) are still under 185 percent of the State's need standard. However, her countable income—\$817 gross monthly earnings, less work-related expenses (\$75), less child care (\$160), less the earned income disregard (\$30 plus one-third of \$552, or \$184)—is \$368, or \$23 over the State's AFDC payment standard. She would then be entitled to extended Medicaid coverage for 4 months, because she lost AFDC even after the application of both the \$30 and one-third earned income disregards. After this 4-month extension coverage, she and her children will be uninsured. Note that by increasing her raise by 50 cents per hour—from \$4.25 to \$4.75—she has in effect lost 5 months of extended Medicaid coverage.

Of course, where State AFDC payment standards are lower than \$345 per month for a family of 3, the family in this case would find itself ineligible for AFDC, and therefore Medicaid, much earlier at the same levels of earnings. For instance, assume the State sets its AFDC need standard at \$518 per month and its AFDC payment standard at \$259 per month for a family of 3. If the mother starts a full-time job at \$4.00 per hour, she would be ineligible for AFDC benefits after the first full month of employment. Although her gross earnings of \$688 would not exceed 185 percent of the State payment standard, her countable income—\$688 in gross earnings, less work-related expenses (\$75), less child care (\$160), less the earned income disregard (\$30 plus one-third of \$423, or \$141)—would be \$282, which exceeds the \$259 payment standard. After losing her AFDC benefits, she and her children would receive extended Medicaid coverage for 4 months, and then be uninsured. If the AFDC payment standard were set at \$346, as in the example above, she and her family would continue to receive AFDC and Medicaid at this level of earnings.

Finally, current law requires mothers receiving AFDC to assign their rights to child support to the State and to cooperate with the State in establishing the paternity of a child born outside of marriage and in obtaining support payments from the father. Families who become ineligible for AFDC payments as a result of the collection of child or spousal support, and who have received AFDC in at least 3 of the 6 months prior to becoming ineligible, are entitled to Medicaid coverage for an additional 4 months after losing AFDC eligibility. (Section 406(h) of the Social Security Act).

After the mandatory or optional Medicaid extension coverage expires, these families may potentially qualify for Medicaid as "medically needy" beneficiaries. However, this would be an option only in States which have elected to offer Medicaid coverage to the "medically needy," and only if the family has incurred medical ex-

penses that, when applied against the family's income, are sufficient to reduce the income to below the State-established medically needy income level.

EXTENSION OF MEDICAID COVERAGE DUE TO WORK

The Committee amendment would require States to extend Medicaid coverage for a total of 24 months to families who become ineligible for cash assistance because of earnings, and who, during the 24-month period, continue to work. In contrast to current law, the duration of Medicaid coverage would not vary from 4 months to 9 months to 15 months depending upon the income a family was earning at the time it lost AFDC benefits and the State in which it resides. Instead, all otherwise qualified families who lose cash assistance due to earnings would be entitled to 24 months of continued Medicaid coverage.

During the first 6 months of this extension, States would have to offer the same Medicaid benefits to these families as they offer to those receiving AFDC. During the next 18 months, States would have to continue offering Medicaid coverage, but they could also offer alternate types of coverage, and they could require families to pay an income-related monthly premium for whatever coverage the families elected. The provision would be effective for those families losing AFDC benefits due to earnings on or after January 1, 1988, and would apply to all the States, including Arizona, which currently operates its Medicaid program under a waiver. Individuals whose AFDC benefits were lawfully terminated because of fraud, or who were lawfully subject to sanction under the AFDC program, could not qualify for any extended coverage under the bill.

Initial 6-Month Extension of Coverage.—Under the Committee amendment, States would be required to extend Medicaid coverage for an initial period of 6 months to families who lose eligibility for AFDC because of hours of, or income from, employment of the caretaker relative (usually the mother), and who received cash assistance in at least 3 of the 6 months immediately preceding the month in which the family lost AFDC benefits. These months need not be consecutive. The Committee notes that the mother or other caretaker need not have earnings in the month prior to the month in which she receives continued Medicaid coverage; she can begin working and begin receiving extended Medicaid coverage in the same month. The Committee also notes that the reason for the loss of eligibility must be hours of, or income from, employment of the mother or other caretaker relative. Thus, extended Medicaid coverage would be available to families who lose AFDC benefits because the AFDC earned income disregards no longer apply due to durational limitations; to families who are ineligible for AFDC benefits even after application of the AFDC earned income disregards; and to families who lose AFDC benefits because of the application of the 185 percent gross income limit. Extended Medicaid coverage would also be available to families who lose AFDC in part because of an increase in hours of, or income from, employment, and in part because of an increase in unearned income. Thus, a woman who loses AFDC in part because her hours of employment increase

and in part because she begins to receive Social Security survivors' benefits would be considered to have lost AFDC due to earnings and would be entitled to extended Medicaid coverage for herself and her children.

The Committee amendment clarifies that families eligible for the initial 6-month Medicaid extension coverage are automatically entitled to continued coverage and need not reapply for benefits. This automatic extension of coverage is implicit in the 4- and 9-month Medicaid transition periods under current law. However, the Committee understands that, in a number of States, persons eligible for either the 4- or 9-month coverage periods are terminated from Medicaid upon loss of AFDC benefits and instructed to reapply for Medicaid. Not only is this practice inconsistent with current law, but it has the practical effect of leaving working mothers and their children without any Medicaid coverage. In one State, according to testimony received by the Health and the Environment Subcommittee, over 25,000 families leave AFDC each year due to employment, while only about 3,500, or less than 15 percent, receive extended Medicaid coverage in any given month. The purpose of the automatic extension provision in the Committee bill is to avoid such outcomes.

To assure that those families eligible for extended Medicaid benefits actually receive coverage, the Committee amendment requires each State, in its written notice of termination of AFDC benefits to families losing eligibility due to employment, to include the Medicaid card or other evidence of entitlement which establishes the family's eligibility for the entire 6-month period. In those States which do not issue cards, the evidence of entitlement must be acceptable to providers and sufficient to enable them to submit clean claims for reimbursement for covered services. The notice would also have to inform the family of its right to this extended coverage and of the grounds on which eligibility for benefits during this 6-month period may be terminated. The Committee notes that it is the practice of some States to notify families by letter that they are eligible for Medicaid without promptly providing them with a Medicaid number or other evidence of coverage that will enable them to obtain services from a provider. This practice does not satisfy the current law requirement that States make Medicaid coverage promptly available to eligible individuals, and it would not meet the requirements under the Committee amendment. The Committee intends that there be no interruption in Medicaid coverage for these working women and their children who lose AFDC benefits due to employment.

Under the Committee amendment, a State may terminate Medicaid coverage during the 6-month extension only because the family no longer includes a child who is (or would if needy be) a "dependent child" as defined under the AFDC program. However, the State may not discontinue the child's coverage in these cases until it has first made a determination that the child fails to qualify for assistance on the basis of any other eligibility category under the State's Medicaid plan. For example, in a State that covers all financially needy children under age 21, a child who turns 18 and ceases to be a "dependent child" would still (if financially needy) be eligible for Medicaid as a financially needy child. In such a case, the coverage

of the mother or other caretaker relative would terminate, but the child's eligibility would continue without interruption. The amendment specifies that no termination may take effect until the State has given the family written notice of the grounds for termination and, as under current law, has informed the beneficiary of his or her right to a pretermination fair hearing.

During the initial 6-month extended coverage period, States would be required to offer eligible families Medicaid benefits of the same amount, duration, and scope as those furnished to cash assistance recipients. The State would not be permitted to charge the family a premium for coverage during this period. A State could, however, elect to offer Medicaid "wrap around" coverage to those families where the employer of the caretaker relative offered group health insurance coverage to its employees. The State would then treat the employer's group coverage as a third party liability, and pay only the amounts remaining after the employer's plan had paid the hospital, physician, or other provider. As under current law, in the case of prenatal or preventive pediatric care, the State would be required to pay the provider first, and then seek reimbursement from the employer's plan.

Under this Medicaid "wrap around" option, States could require the caretaker relative in the family, as a condition of the 6-month extended coverage, to apply for whatever group health coverage her employer offers. However, the State could not require her to contribute financially to such coverage, whether through payroll deductions cost-sharing, or otherwise. Instead, the State would have to pay the family's share of the premiums, as well as any deductibles, coinsurance, copayments, or other costs under the employer's health care coverage. These State expenditures would be subject to Federal Medicaid matching payments at the State's regular rate for services. The purpose of this "wrap around" option is to allow the State to replace its funds (and the Federal government's matching funds) with employer or insurer dollars for hospital, physician, or other services covered under the employer's health plan, while at the same time shielding the family from any cost-sharing or other financial expense which it would not incur under the State's Medicaid program. The Committee amendment does not require employers to offer health care coverage, and it does not specify how that coverage, if any, should be structured.

Subsequent 18-Month Extension of Coverage.—The Committee amendment would require States to extend Medicaid coverage for an additional 18 months to families who have received coverage throughout the initial 6 month extension period, so long as the family continues to have earnings and meets the reporting and other requirements. To assure that only working poor and near-poor families are eligible for coverage during this 18-month extension period, the amendment would exclude from coverage those families which earn more than 185 percent of the Federal poverty income guidelines for a family of their size (as issued and updated annually by the Department of Health and Human Services).

The State could, at its option, require families to pay a monthly premium for coverage during this 18-month period. The Committee recognizes that many of the families who leave welfare due to earnings initially find jobs that pay at the minimum wage level or

slightly above. At these income levels, even nominal premium requirements can be enormously burdensome, especially for larger families. The amendment would therefore limit the premiums that a State may impose to 10 percent of the amount by which the family's average gross monthly earnings, less the costs of day care for dependent children, exceed the amount that an individual could earn in a month by working at minimum wage (\$3.35 per hour) for 8 hours a day, 5 days a week, for an average month of 4.3 weeks or \$576 per month. Thus, if the former recipient worked 40 hours per week at \$4.50 per hour, grossing \$774 per month, and if she had child care expenses of \$150, the maximum premium the State could impose for that month would be 10 percent of \$624 minus \$581, or \$4.30.

Whether or not the State elects to impose a monthly premium, it would have to offer the family the option of continuing to receive Medicaid coverage throughout the 18-month period. This coverage would not have to be identical to that offered to AFDC recipients or to families during the initial 6-month coverage period. The State could elect not to offer some or all of the non-acute care services that it offers in its regular Medicaid benefit package, including skilled nursing or intermediate care facility services; home health services; private duty nursing; hospice care; physical therapy and related services; respiratory care; other diagnostic screening, preventive, and rehabilitative services; inpatient services for individuals over age 65 in institutions for mental diseases; and inpatient psychiatric care for children under 21. However, the State would be required to offer acute care Medicaid benefits in the same amount, duration, and scope as it offered those services to AFDC recipients, including hospital care; physician services; laboratory and x-ray services; early and periodic screening, diagnosis, and treatment services for children under 21; family planning services and supplies; dental care; prescribed drugs; nurse-midwife services; and case management. A State would not be required to offer a benefit to families qualifying for the 18-month extension that it did not offer to "categorically needy" families receiving cash assistance.

In addition to offering its regular Medicaid benefits (or an acute care Medicaid benefit package), a State could elect to offer families a choice of one or more alternative types of coverage during the 18-month extension period. Federal Medicaid matching payments would be available for the costs of providing these alternative types of coverage to the families who elect to enroll in them. The Committee stresses that whatever alternative a State elects to offer, the decision as to whether to continue receiving regular Medicaid benefits, or whether to enroll in an alternative type of coverage, is solely that of the family. The State could try to influence this choice by varying the premium levels among the types of coverage, subject to the limit of 10 percent of excess income, but it could not assign the family to a particular coverage.

The Committee amendment recognizes four generic alternatives that the States may offer to families: (1) enrollment in the family option of the group health plan, if any, offered by the mother's employer; (2) enrollment in the family option of the group health plan offered by the State to its own employees; (3) enrollment in a basic health plan, if any, offered by a State to the uninsured; or (4) en-

rollment in a health maintenance organization (HMO) fewer than half of whose enrollees are eligible for Medicaid. The State may offer one or more of these options, and it may offer different options in different parts of the State. The Committee notes that some States, under their regular Medicaid plans, offer AFDC families the choice of enrolling in an HMO or other prepaid plan; the HMO alternative in the Committee amendment would be in addition to, and not in lieu of, any prepaid health plan option that the State might offer under its Medicaid program.

The Committee amendment does not establish any minimum requirements for these alternative coverage options. The Committee intends that Federal Medicaid funds not be used to purchase coverage that is inadequate to meet the needs of working poor families or that is excessive in its cost. However, rather than attempting to restructure the health plan marketplace to achieve these objectives, the Committee amendment would rely on the judgment of the States in presenting coverage options and the judgment of families in choosing among them. The Committee is confident that, given the opportunity to make an informed choice between basic Medicaid coverage and any alternatives, the families will select the coverage that best meets their needs in a cost-effective manner.

As in the case of the initial 6-month extension, States would have the options of offering Medicaid "wrap-around" coverage to families who opted for Medicaid coverage during the 18-month extension period. This "wrap-around" coverage would be on the same terms as during the initial 6-month extension: the State could, as a condition of coverage, require the caretaker relative to enroll in her employer's group health plan; the State would have to meet all the employee's premium, deductible, coinsurance, and other requirements; and the State would treat the health plan as a third party liability, paying the amounts unsatisfied after the health plan paid except in the case of prenatal or preventive pediatric care. However, States that offered enrollment in an employer health plan as an alternative to the basic Medicaid benefit could not use Federal matching funds to provide Medicaid "wrap around" coverage to families who opted to enroll in their employer's plan. In the former case, "wrap around" coverage would be a cost-saving tool for the State, which would get the benefit of a third-party liability. In the latter case, "wrap around" coverage would distort the choice presented to the family between regular Medicaid coverage and enrollment in an employer health plan.

The Committee amendment would not place any limit on the premium, deductible, and other cost-sharing requirements which any of the alternative coverage options offered by the State might have. The amendment would, however, require the State to pay the full amount of any employee premiums or other enrollment costs on behalf of the family. These State costs (less any premium revenues from the families) would be subject to Federal matching payments at the State's regular matching rate. The State, in its notice of coverage options during the third and sixth month of extended Medicaid benefits, would have to inform families of the specific deductible and other cost-sharing requirements under the coverage options available to that family. With two exceptions, a family electing to enroll in an alternative type of coverage would be re-

sponsible for any deductibles, coinsurance, and similar types of cost-sharing other than premiums or enrollment costs. The State would have pay the deductible, coinsurance, and other cost-sharing requirements with respect to services related to pregnancy (including prenatal, maternity, and post-partum care) and with respect to ambulatory preventive pediatric care for children born on or after September 30, 1983.

Under the Committee amendment, during the 18-month extension period a State could elect to impose premiums on families and to offer coverage to those families in their employer group health plans. Depending on its income and child care costs, the family would have a monthly premium obligation, which it would pay directly to the State. The State, in turn, would pay the employee's required premium contribution directly to the employer or the employer's health plan. The family would not have any obligation to pay the employer any portion of the premium cost for enrollment in the employer's plan.

If a State chooses to offer one or more alternative types of coverage, the State would have to offer families an open enrollment period of one month each year during which families could enroll in, or disenroll from, an option without cause. The State would also have to give families the option of disenrolling, without cause, from a State basic uninsured plan or an HMO at any time.

The Committee amendment would provide five grounds for the termination of coverage during this 18-month extension period. First, coverage would terminate at the close of the first month in which the family no longer includes a child who is (or would if needy be) a dependent child for AFDC purposes. As in the case of the initial 6-month extension, a State could not discontinue coverage for the child until it had determined that the child was not eligible for Medicaid on some other basis under the State's Medicaid plan.

Second, if a State elects to require a premium contribution from the family, and if the family fails to pay the premium for a month by the 21st day of the following month, the extension coverage would terminate at the close of that following month, unless the caretaker relative establishes, to the satisfaction of the State, good cause for the failure to pay the premium on a timely basis. Good cause would include a sudden drop in income or increase in basic living costs that renders the family unable to make payment at the retroactively established premium rate.

Third, extension coverage would terminate if the caretaker relative had no earnings whatsoever in one or more of the previous three months, unless the lack of earnings was due to layoff or other involuntary loss of employment, to illness of the employee or family member, or to other good cause established to the State's satisfaction. The Committee intends that extension coverage during this 18-month period be limited to families in which the mother or other caretaker relative works. The Committee recognizes, however, that there will inevitably be cases where, for one or more months, the caretaker is unable to work due to circumstances beyond her control. Particularly in the low-wage, entry-level jobs where families moving off of welfare usually start, layoffs and even business failures are not uncommon. The Committee expects that

States, in administering this provision, will take full account of these realities.

Fourth, extension coverage would terminate if the family's average gross monthly earnings (less the costs of day care for dependent children) during the immediately preceding three month period exceeds 185 percent of the Federal poverty income guideline for a family of that size, currently \$1,434 per month for a family of 3. (The most recent update of the poverty income guidelines appears in the Federal Register for February 20, 1987 at page 5340). The Committee amendment would not allow a family with gross earnings (less day care costs) in excess of 185 percent of the poverty line to qualify for continued coverage by applying their medical expenses against income to "spend down" below 185 percent of the poverty level. A family with substantial medical expenses might, however, qualify for coverage as "medically needy" in a State which offered such coverage.

Fifth, extension coverage would terminate if the family fails to report information on its gross monthly earnings (less the costs of day care for dependent children) for each of the 3 previous months, unless the family establishes, to the satisfaction of the State, good cause for the failure to report on a timely basis. These reports would be due to the State by the 21st day of the 1st, 4th, 7th, 10th, 13th, and 16th months of the 18-month extension period. No termination could occur unless the State had notified the family, in the month before the month in which the information was due, of the reporting requirement. A State could, at its option, instead of terminating coverage for failure to report earnings in a timely fashion, provide for a suspension of coverage until the month after the month in which the family reports, so long as the family continued to have earnings in each month and so long as its earnings did not exceed the 185 percent of poverty ceiling. The Committee would expect that, in cases other than wilful failures to report, States would suspend coverage until the report was filed, rather than terminate coverage altogether.

Other than the general prohibition against coverage of individuals whose cash assistance benefits were terminated due to fraud, these five grounds are the only reasons for which a State could terminate Medicaid coverage during the 18-month extension period. In no event could a State terminate coverage unless it has given the family written notice of the grounds for termination, including an explanation of the circumstances under which a family can request a pretermination fair hearing. In those cases where coverage would be terminated due to the failure of the caretaker relative to have any earnings in a month, the notice of termination must also include a description of how the family may reestablish eligibility for Medicaid. In States which offer coverage to the "medically needy," no family which still includes a dependent child could be terminated from extension coverage until the State has determined that the family does not have sufficient medical expenses to enable it to qualify for Medicaid as a "medically needy" family.

Under the Committee amendment, eligibility for this 18-month extension coverage depends on a family's earnings and child care expenses. In addition, the States have the option of charging a premium for coverage based on these factors. The Committee amend-

ment therefore establishes certain reporting requirements during both the initial 6-month extension period and the subsequent 18-month period to assure that the States have sufficient information about earnings and child care expenses to enable them to make eligibility determinations. The Committee expects that the States will administer these reporting requirements in a way that they do not become barriers to coverage for otherwise eligible families.

For example, under the Committee amendment, States would have to develop reporting forms, and provide the forms to families in the month prior to the month in which the report is due, along with information about the family's obligation to file and the effect of a failure to file or to file on time. The Committee expects that States will do whatever they can to encourage families to file early in the reporting period and that they will consider the use of reminder notices where reports have not been received by the midpoint of the period. Since the reporting form will only request as much information as the State needs to make its determinations with regard to eligibility and any premium amount, the Committee anticipates that States will be able to devise a short, simple form that they are able to process expeditiously. The Committee expects that States will take particular care to assure that the form can be understood by the population that will be receiving it. In addition, the form should be accompanied by a preaddressed return envelope so that it can be posted by the family as it is received. The timely filing of a reasonably completed form would be sufficient to meet the reporting requirement; the Committee does not expect that eligibility would be suspended or terminated if it is necessary for the State to seek clarification of the information supplied, to obtain verification, or to seek additional information. However, if the information supplied on the form is so deficient that it could not reasonably be construed to be a report of the family's earnings for the relevant period, and if the deficiencies are not attributable to the filer's limited comprehension or literacy, then suspension or termination of eligibility would be appropriate.

The process of reporting and eligibility determination under the Committee amendment can best be explained with the following example. Assume a mother and two children receiving AFDC and Medicaid benefits in March, April, and May of 1987. In June, 1987, the mother notifies her caseworker that she has found a job which begins in July. Despite the disregard of certain work-related expenses, child care expenses, and \$30 and one-third of the remaining earned income, she will make enough at this job to disqualify her from AFDC in July because of the State's relatively low AFDC payment standard. In June, after receiving this information, the State sends her a notice that her AFDC benefits, and those of her children, will be terminated effective July 1st. The notice also includes a Medicaid care for the period July 1 through December 31. In September, the State, which will be charging a premium during the 18-month extension period but will not be offering alternative types of coverage, sends her a notice informing her of the 18-month extension and of her obligation to file a report on her earnings and child care expenses. By October 21, the mother sends back to the State its reporting form with information on the family's gross monthly earnings and child care expenses for July, August, and

September. The State uses this information to determine her eligibility for the 18-month extension coverage and to calculate her monthly premium for the January through March, 1988, period. In December, the last month of the initial 6-month extension, the State sends the mother another notice of the 18-month extension, including (1) the amount of her family's monthly premium for the first three months of the 18-month extension, (2) a Medicaid card for the months of January, February, and March of 1988, and (3) and a reporting form for earnings and child care costs for October, November, and December of 1987, specifying that it must be completed and returned to the State by January 21, 1988.

In early January, the first month of the 18-month extension, the mother files her report on earnings and child care costs for October, November, and December of 1987. She also includes her monthly premium for January, although she would have until February 21 to send it to the State. The State uses this earnings and child care information to determine whether the family continues to qualify for extension coverage for the April through June, 1988, quarter, and to calculate what the monthly premium during that period will be. In February, the State sends the mother a reminder that her premium for that month is due, and later that month, she sends in her premium payment. In March, the State sends the mother (1) a Medicaid card for April, May, and June, 1988, (2) the amount of her monthly premium during this period, (3) a reporting form for earnings and child care costs for January, February, and March of 1988, and (4) a reminder that her premium for March is due by April 21. The State will use the earnings and child care cost information to determine the family's eligibility for the July through September quarter, and to calculate the monthly premium during that period. In early April, the mother sends in the earnings report, as well as the premium for March. Later in April she receives a reminder notice from that State that her premium for that month is due. The process would continue in this manner until June of 1989, the last month of the 18-month extension, unless the family stopped paying the required premiums or was terminated from coverage on one of the other grounds identified in the Committee amendment.

Washington Family Independence Program Waiver.—The State of Washington has enacted legislation to establish a 5-year demonstration project, the Family Independence Program, as a budget-neutral alternative to the current AFDC program. A basic thrust of the project is to restructure current benefits so as to increase the incentives to work; this includes extending the current Medicaid transition period for families losing AFDC due to earnings from 4 months to 12 months. The State is seeking from the Federal government waivers of requirements of various programs, including Medicaid, to enable it to implement this demonstration.

Under the Committee amendment, if the Secretary of Health and Human Services approves a demonstration project relating to the Washington Family Independence Program, the Secretary is directed, with respect to such project, to waive compliance with the current Medicaid requirements relating to statewideness, beneficiary cost-sharing, and transitional Medicaid coverage for working welfare recipients (as established by the Committee amendment).

The Secretary has authority to waive the specified Medicaid requirements only to the extent necessary to enable the State to carry out the Family Independence Program (FIP) in the form in which it was enacted by the Washington State legislature on May 18, 1987. The Committee notes that section 20(4) of the FIP enabling legislation provides for amendments to that legislation. If any such changes are made, the authority of the Secretary under the Committee amendment would lapse, and any waivers that the Secretary might have been granted would be void.

The Committee's intent in authorizing these specific Medicaid waivers is that the State use the waivers to expand coverage, as set out in section 11 of the FIP enabling legislation. The Committee amendment does not authorize either the Secretary or the State to reduce benefits or coverage to individuals eligible to participate in the demonstration below the levels of the State's existing Medicaid program, including coverage and benefits authorized by the State legislature in its 1987 biennial budget. The Committee expects that any waiver of current cost-sharing rules would apply to those families participating in FIP only during the one-year extension of Medicaid benefits following the loss of cash assistance eligibility, and that no individual eligible to participate in the demonstration would pay more in copayments or premiums than he or she would have paid to receive benefits under the State's existing Medicaid program.

EXTENSION OF MEDICAID COVERAGE DUE TO COLLECTION OF SUPPORT

The Committee amendment requires States to extend Medicaid coverage for 6 months to families who lose AFDC benefits as a result, in whole or in part, of the collection or increased collection of child or spousal support, and who received AFDC benefits in at least 3 of the 6 months preceding the loss of eligibility for AFDC. This amendment has the effect of increasing the 4-month extended coverage period under current law to 6 months, a period consistent with the initial coverage for families losing AFDC due to earnings. States would not, however, be required to extend Medicaid to these families after the 6-month period, unless a family or the children in the family qualified for coverage on some other basis under the State's Medicaid plan.

HEARINGS

The Committee's Subcommittee on Health and the Environment held 1 day of hearings on the Medicaid transition provisions in H.R. 1720 on April 24, 1987. Testimony was received from 7 witnesses, including a representative of the Committee on Ways and Means, a former welfare recipient, and individuals representing the Governors and State Medicaid agencies.

COMMITTEE CONSIDERATION

On July 1, 1987, the Subcommittee on Health and the Environment met in open session and ordered reported the bill H.R. 1720, as amended, by a voice vote, a quorum being present. On July 21, 1987, the Committee met in open session and ordered reported the

bill H.R. 1720, with amendment by a recorded vote of 22 to 6, a quorum being present.

COMMITTEE OVERSIGHT FINDINGS

Pursuant to clause 2(1)(3)(A) of rule XI of the Rules of the House of Representatives, no oversight findings or recommendations have been made by the Committee.

COMMITTEE ON GOVERNMENT OPERATIONS

Pursuant to clause 2(1)(3)(D) of rule XI of the Rules of the House of Representatives, no oversight findings have been submitted to the Committee by the Committee on Government Operations.

COMMITTEE COST ESTIMATE

In compliance with clause 7(a) of rule XIII of the Rules of the House of Representatives, the Committee believes that the cost incurred by the Federal government in carrying out the Committee's amendment to H.R. 1720 would be \$20 million in FY 1988, \$120 million in FY 1989, and \$250 million in FY 1990. These costs are in relation to current law. The Committee notes that, in relation to the amendment reported by the Committee on Ways and Means providing for a 6-month extension of Medicaid coverage to families that leave cash assistance with earnings, the cost of the Committee amendment is \$20 million in FY 1988, \$70 million in FY 1989, and \$140 million in FY 1990. The Committee would also observe that to the extent the work incentives contained in the Committee bill are successful at keeping families employed and off of AFDC cash assistance, the Federal government will not incur costs for cash assistance to these working families.

CONGRESSIONAL BUDGET OFFICE ESTIMATE, JULY 22, 1987

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC.

Hon. JOHN D. DINGELL,
Chairman, Committee on Energy and Commerce,
House of Representatives, Washington DC.

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared this cost estimate for amendments to H.R. 1720, the Family Welfare Reform Act of 1987, as ordered reported by the House Committee on Energy and Commerce on July 21, 1987. H.R. 1720 was ordered reported by the House Committee on Ways and Means on June 10, 1987.

This estimate provides the spending impacts of the Committee on Energy and Commerce amendments to H.R. 1720. The table below shows the original estimate of H.R. 1720's impact on spending, the Committee on Energy and Commerce changes to spending, and the resulting estimated spending totals for the bill as amended.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

[By fiscal year, in millions of dollars]

	1988	1989	1990	1991	1992
Ways and Means bill:					
Budget authority/estimated authorization level.....	225	521	1,208	1,593	1,775
Estimated outlays.....	192	520	1,214	1,599	1,780
Energy and Commerce Amendments:					
Budget authority/estimated authorization level.....	20	70	140	170	190
Estimated outlays.....	20	70	140	170	190
Total spending:					
Budget authority/estimated authorization level.....	245	591	1,348	1,763	1,965
Estimated outlays.....	212	590	1,354	1,769	1,970

The Committee on Energy and Commerce amended the provision in H.R. 1720 that would provide Medicaid for six months to families who left the Aid to Families with Dependent Children (AFDC) program with earnings. The provision was amended in several important respects. First, the original bill would extend the additional months of Medicaid to all families who left with any earnings—an estimated 1.2 million families—while the amendments would extend Medicaid only to those who left AFDC because of increased earnings or hours of work—an estimated 0.5 million to 0.6 million families. The Energy and Commerce amendments also would extend Medicaid coverage for six months to families who left AFDC because of increased child support payments. Second, while the original bill would provide Medicaid to eligible families for 6 months after they left AFDC, the Energy and Commerce amendments would extend Medicaid eligibility to 24 months after leaving AFDC. Third, the amendments would give states a number of options in providing the required coverage, including the option to charge premiums after the sixth month. Finally, the effective date was moved up to January 1, 1988 from October 1, 1988. The net result of these changes would be to increase Federal costs by \$20 million in fiscal year 1988 and by \$190 million in fiscal year 1992, as shown in the preceding table.

CBO's estimate was calculated in two steps. The costs of providing the additional Medicaid—the basic benefits—were estimated first, ignoring the effects of any premiums. Then the effects of premiums on revenues and participation were estimated. Each step is discussed in turn.

Basic benefits: CBO estimates that the number of families who would receive the 24 months of Medicaid after leaving AFDC would be 500,000 to 550,000 each year after the program was fully effective (the provision would be delayed for states whose legislatures would not be in session until 1989). Some 1.9 million families leave AFDC each year (not counting those families who leave because their youngest child is too old to be eligible for AFDC). Based on data in a study by David Ellwood ("Working Off of Welfare: Prospects and Policies for Self-Sufficiency of Women Heading Families," Institute for Research on Poverty, Discussion Paper No. 803-86, March 1986) and on AFDC program statistics, CBO estimates that 25 percent of these families would leave AFDC because of in-

creased earnings or hours of work, making them eligible for the transition benefits. This estimate was increased by the number of families who were estimated to leave AFDC because of the bill's work and training program and by the number of new two-parent families leaving AFDC each year with the bill's mandating of the AFDC-Unemployed Parent program in all states. Another 40,000 to 45,000 families are estimated to leave AFDC each year because of increased child support payments.

Medicaid costs for these families would depend on whether they had private health insurance through their jobs or from some other source. Based on data from the Current Population Survey—a household survey of the Bureau of the Census—CBO estimates that 55 percent of the families leaving AFDC because of increased earnings and 45 percent of those leaving because of child support would have access to health insurance. Data do not exist on Medicaid costs for those with private health insurance. CBO assumes that 85 percent of these families would retain Medicaid (at least until the premium is due) and that their Medicaid costs would be one-third of “full” costs. Federal Medicaid costs per family (for those without health insurance) are estimated to be \$1055 in 1988 and \$1425 in 1992, amounts for “healthy” families. Costs are reduced to account for recidivism; adjustments of 91 percent, 77 percent, 70 percent, 66 percent, and 62 percent are made for the first through fifth years, respectively.

Current-law Medicaid costs for families leaving AFDC are subtracted from the costs of extending Medicaid for 24 months (or for 6 months to the child support families). Under current law, those who leave because their hours of work or their earnings increase receive Medicaid for four months, as do families with increased child support payments. (Those who leave because they lose the \$30 and one-third earnings disregard after they have worked for four or twelve months receive Medicaid for nine months and at state option for another six months, but there would be no more of these families because H.R. 1720 would make the earnings disregard permanent.) Further, some families qualify for Medicaid under medically-needy provisions. For purposes of this estimate, CBO calculated that 35 percent would qualify for medically-needy benefits after their regular Medicaid benefits were exhausted. Current-law costs are increased slightly to account for legislation in recent years that extended Medicaid to low-income pregnant women and young children, and are reduced to allow for recidivism. Federal costs of the basic benefits before any premium offsets are estimated to rise from \$20 million in 1988 to \$400 million in 1992.

Premium offsets: Estimated premium collections rest on two basic assumptions: the average premiums that would be set by the states and the participation rates of families who would be required to pay the premiums. Some 20 percent of eligible families are estimated to have the premium waived because of the legislated limit, which is 10 percent of the difference between the eligible family's gross monthly income (less day care costs) and the monthly minimum wage. For the remaining 80 percent, CBO assumes that states would generally apply premiums that would increase with family incomes and that most states would set premiums near or at the maximum allowable. Incomes of families after stays on

AFDC were estimated from Ellwood (op. cit.). Thus, the total amount of premium revenue is estimated to amount to roughly two-thirds of the maximum allowable (for those assumed willing to pay), which is equivalent to about 1 percent to 3 percent of gross incomes in the income ranges above the minimum wage. The resulting monthly premiums of \$7 to \$33 per month are estimated to generate collections which would offset less than 10 percent of the costs incurred from participation. In the aggregate, premiums to the Federal government are estimated to rise from an insignificant amount in 1988 to \$25 million in 1992.

In addition to generating revenues, premiums are likely to deter some eligible families from acquiring this extended Medicaid benefit. Those who would choose not to pay the premium would lose eligibility and generate no program costs. This effect was calculated separately for those with health insurance and those without health insurance, since it is reasonable to assume very different behavior in these two groups. There is little evidence on this question, and CBO assumes that of those without health insurance, about 65 percent would choose to maintain Medicaid eligibility in return for a modest premium payment, and 15 percent would not (the remaining 20 percent would not have to pay any premiums). For those with health insurance, CBO assumes that only about 15 percent would choose to pay the premium. An important foundation for this latter assumption is the amendment's stipulation that payment of the premium would not obligate Medicaid to pay for the eligible family's deductible and coinsurance under the primary insurance. Moreover, CBO assumes that Medicaid benefits would not be significantly better than most of the health insurance policies to which it would be secondary payer. Further, CBO assumes that those families choosing to pay the premium would have higher medical care costs, on average, than those who would not pay the premium.

State costs: Because states pay about 45 percent of the costs of Medicaid in the aggregate, their budgets would also be affected by the Energy and Commerce amendments. As shown in the table below, the amendments would increase costs of states and localities by \$20 million in 1988 and \$160 million in 1992.

ESTIMATED COST TO STATE AND LOCAL GOVERNMENTS

[By fiscal year, in millions of dollars]

	1988	1989	1990	1991	1992
Ways and Means bill.....	141	201	345	371	272
Energy and Commerce amendments.....	20	55	115	135	160
Total cost	161	256	460	506	432

If you wish further details on this estimate, please call me or have your staff contact Alan Fairbank or Janice Peskin (226-2820).

With best wishes,

Sincerely,

EDWARD M. GRAMLICH,
Acting Director.

INFLATIONARY IMPACT STATEMENT

Pursuant to clause 2(1)(4) of rule XI of the Rules of the House of Representatives, the Committee makes the following statement with regard to the inflationary impact of the reported bill. The Committee believes that the bill will not have an inflationary impact on prices and costs in the economy. By eliminating one of the major work disincentives for poor families on welfare, the Committee bill will encourage more low-income women to work and thereby increase the economy's productive capacity.

AGENCY VIEWS

THE SECRETARY OF HEALTH AND HUMAN SERVICES,
Washington, DC, July 13, 1987.

Hon. JOHN D. DINGELL,
Chairman, Committee on Energy and Commerce,
House of Representatives, Washington, DC.

DEAR MR. CHAIRMAN: I would like to take this opportunity to inform you of the Department's views on Title IV of H.R. 1720, the Medicaid provisions of the "Family Welfare Reform Act of 1987", as approved by your Committee's Subcommittee on Health and the Environment. The Subcommittee approved, as Title IV of H.R. 1720, provisions based upon H.R. 2627, the "Family Medicaid Reform Amendments of 1987", on which we have previously expressed our views to Chairman Waxman.

Title IV of the bill would now require States to provide a six-month extension of Medicaid coverage under title XIX of the Social Security Act (subject to certain continuing eligibility requirements) to families who had received cash assistance under the Aid to Families with Dependent Children (AFDC) program for three of the preceding six months, and left the AFDC rolls because of increased earnings. It would further require States to offer, to families that had received Medicaid for a full six months of extended eligibility, an additional 18 months of Medicaid coverage or, at State option, any of several other specific types of health care coverage for that period, unless a family's average gross monthly earnings for a three-month period (after deducting the costs of day care for dependent children) exceeded 185 percent of the Federal poverty level; the family failed to pay a small premium (if the State chose to require premiums); or any of several other circumstances occurred. States would then have the option of extending health care coverage for an additional 18 months under the same conditions. Title IV would also increase for four to six months the current Medicaid extension for those leaving the AFDC rolls as a result of increased child support.

In summary, the Administration strongly opposes Title IV. Substantial Medicaid transitional benefits already are available to welfare recipients, and there is no convincing evidence that their expansion would reduce welfare dependency. We are pleased to see that some of the costly and complex new administrative requirements, to which we objected in our report on H.R. 2627, have been eliminated or at least made optional for the States. However, other features remain or have been added which have the potential for

driving the States to cut benefits for those now eligible for Medicaid and severely constraining their capacity to take advantage of optional Medicaid coverage provisions which primarily benefit pregnant women, infants, children, the elderly and families with high medical expenses. Rather than reducing welfare dependency, Title IV of H.R. 1720 is likely to increase it, at great human and financial cost to our Nation. A preliminary estimate indicates that, when fully implemented in FY 1992, Title IV would cost the Federal Government nearly \$1 billion, and would substantially increase State costs as well.

Current law already provides for four months of additional Medicaid coverage for families that leave the AFDC rolls as a result of increased earnings or child support. Up to 15 months of Medicaid coverage is provided to families who leave AFDC because of expiration of the earned income disregard. In addition, there are a variety of other arrangements, including Medicaid medically needy coverage and Community Health Center programs, available to address the health care needs of low-income families and individuals whose employment does not provide health insurance coverage.

There is no evidence that expanding the current Medicaid transitional provisions would be cost-effective, get more people into jobs and off the welfare rolls, or produce welfare savings. Indeed, there is evidence to suggest that Medicaid coverage is not a critical factor in employment decisions. The changes made by the Omnibus Budget Reconciliation Act of 1981 (OBRA) established income ceilings on AFDC eligibility for working families, many of whom appear to have been long-term welfare recipients. No transitional Medicaid coverage was provided at that time; and if such coverage were a key factor in families' employment decisions, one would expect that many of these families would have quit work and returned to the welfare rolls. However, the rate of return for families with earnings was no greater after OBRA than it was before, suggesting that Medicaid was not a key factor in their job decisions. Given the lack of evidence that any changes are needed, we cannot justify the costs of providing the proposed additional coverage.

While we are not persuaded that Medicaid coverage actually operates as a key factor in employment decisions, in cases where it might be a factor this bill would exacerbate welfare dependency. Title IV might well induce families who otherwise would leave the welfare rolls in less than three months to remain on the rolls to receive up to three and a half years of publicly subsidized medical coverage. Moreover, families might be induced onto the AFDC rolls simply to receive this coverage, and employers would have significant incentives not to offer or even to cut back on health insurance coverage for lower wage workers.

We have heard from a number of States that are deeply concerned about the numerous administrative complexities and costs of implementing Title IV, and we share their concerns. A new, costly and complex administrative structure would have to be created by States to compute income eligibility for these new Medicaid extensions. Another such structure would have to be created by any State choosing to collect premiums during the 18-month extensions. (While States have for some time been permitted to collect income-related co-payments, deductibles, and co-insurance from

Medicaid beneficiaries, few if any have chosen to do so because of the cost and complexity of such a process.) Similarly, any State choosing to use the wrap-around option or any of the other four options for health insurance coverage applicable during the 18-month extensions would have to establish an administrative structure to pay the premiums and deal with the various entities administering the health plans.

Two new features of Title IV, as approved by the Subcommittee, also give reasons for serious concern. First, termination of extended Medicaid eligibility for failure to pay premiums or to make quarterly income reports, or for lack of earnings, have been made subject to "good cause" exceptions. This could be a major administrative burden, and could well result in court challenges. Second, the costs of day care for dependent children must be subtracted from a family's earnings before determining whether earnings exceed 185 percent of the Federal poverty line (thus making the family ineligible) or whether payment of a premium is required (in States electing that option). The net result would be to keep more people eligible for a longer period and to have fewer subject to payment of a premium, thus driving up costs.

The expensive new provisions in Title IV could well force some States to cut back on the Medicaid coverage they now provide. Moreover, these provisions would greatly constrain States' ability to expand Medicaid under optional coverage authorities now in law. States, for example, now have the latitude to extend Medicaid coverage to pregnant women, infants and children up to age 5 in families whose income is below the Federal poverty line. By mandating coverage for former welfare recipients, Title IV of H.R. 1720 would greatly curtail States' ability to take advantage of this and other optional coverage provisions.

As part of his multifaceted welfare strategy, the President has clearly stated his strong commitment to welfare reform legislation that provides authority for State- and community-based demonstrations to test alternatives for restructuring our Nation's welfare system. We remain convinced that this approach would be more effective for families, and more prudent administratively and fiscally, than the approaches proposed in H.R. 1720. H.R. 1288, the "Low-Income Opportunity Improvement Act," proposed by the Administration, would encourage such State-sponsored and community-based demonstration projects to test innovative welfare system alternatives which could include Medicaid features.

I urge you to reconsider the direction in which this legislation is heading and to consider instead passage of H.R. 1288, which would permit States to test a variety of cost-effective approaches to achieving the goal of encouraging family self-sufficiency.

We are advised by the Office of Management and Budget that there is no objection to the presentation of this report, and that enactment of H.R. 1720 would not be in accord with the program of the President.

Sincerely,

OTIS R. BOWEN, M.D.,
Secretary.

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, changes in existing law made by title IV of the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

SOCIAL SECURITY ACT

* * * * *

TITLE XIX—GRANTS TO STATES FOR MEDICAL ASSISTANCE PROGRAMS

* * * * *

STATE PLANS FOR MEDICAL ASSISTANCE

SEC. 1902. (a) * * *

* * * * *

[(e)(1) Notwithstanding any other provision of this title, effective January 1, 1974, each State plan approved under this title must provide that each family which was receiving aid pursuant to a plan of the State approved under part A of title IV in at least 3 of the 6 months immediately preceding the month in which such family became ineligible for such aid because of increased hours of, or increased income from employment, shall, while a member of such family is employed, remain eligible for assistance under the plan approved under this title (as though the family was receiving aid under the plan approved under part A of title IV) for 4 calendar months beginning with the month in which such family became ineligible for aid under the plan approved under part A of title IV because of income and resources or hours of work limitations contained in such plan.]

(e)(1)(A) For provision relating to extension of coverage for certain families which have received aid pursuant to a State plan approved under part A of title IV and which have earned income, see section 1921.

(B) Notwithstanding any other provision of this title, each dependent child, and each relative with whom such a child is living (as such terms are defined in part A of title IV, and including the spouse of such a relative as described in section 406(b)), who—

(i) becomes ineligible for aid under part A of title IV as a result (wholly or partly) of the collection or increased collection of child or spousal support under part D of such title, and

(ii) has received such aid in at least three of the six months immediately preceding the month in which such ineligibility begins,

shall be deemed, for purposes of this title, to be a recipient of aid under part A of title IV for an additional 6 calendar months beginning with the month in which such ineligibility begins.

* * * * *

(h)(1) Nothing in this title (including subsections (a)(13) and (a)(30) of this section) shall be construed as authorizing the Secretary to limit the amount of payment adjustments that may be made under a plan under this title with respect to hospitals that serve a disproportionate number of low-income patients with special needs.

(2) *Nothing in section 417(a)(1) shall be construed as requiring or authorizing a case manager assigned under such section to conduct any activities with respect to medical assistance furnished (or which may be furnished) under this title.*

(3) *Any individual who would be receiving aid under part A of title IV but for section 417(b)(1)(A) shall be considered, for purposes of this title to be receiving such aid.*

* * * * *

DEFINITIONS

SEC. 1905. For purposes of this title—

(a) The term “medical assistance” means payment of part or all of the cost of the following care and services (if provided in or after the third month before the month in which the recipient makes application for assistance or, in the case of a qualified medicare beneficiary described in subsection (p)(1), if provided after the month in which the individual becomes such a beneficiary^{81.3}) for individuals, and, with respect to physicians’ or dentists’ services, at the option of the State, to individuals (other than individuals with respect to whom there is being paid or who are eligible, or would be eligible if they were not in a medical institution, to have paid with respect to them a State supplementary payment and are eligible for medical assistance equal in amount, duration, and scope to the medical assistance made available to individuals described in section 1902(a)(10)(A)) not receiving aid or assistance under any plan of the State approved under title I, X, XIV, or part of title IV, and with respect to whom supplemental security income benefits are not being paid under title XVI, who are—

(i) * * *

* * * * *

(vii) blind or disabled as defined in section 1614, with respect to States not eligible to participate in the State plan program established under title VXi, [or]

(viii) pregnant women, or

(ix) *individuals provided extended benefits under section 1921,*

* * * * *

EXTENSION OF MEDICAID BENEFITS

SEC. 1921. (a) INITIAL 6-MONTH EXTENSION.—

(1) **REQUIREMENT.**—*Notwithstanding any other provision of this title, each State plan approved under this title must provide that each family which was receiving aid pursuant to a plan of the State approved under part A of title IV in at least 3 of the 6 months immediately preceding the month in which*

such family becomes ineligible for such aid, because of hours of, or income from employment of the caretaker relative (as defined in subsection (e)), shall, subject to paragraph (3) and without any reapplication for benefits under the plan, remain eligible for assistance under the plan approved under this title during the immediately succeeding 6-month period in accordance with this subsection.

(2) **NOTICE OF BENEFITS.**—Each State, in the notice of termination of aid under part A of title IV sent to a family meeting the requirements of paragraph (1)—

(A) shall notify the family of its right to extended medical assistance under this subsection and include in the notice a description of the circumstances (described in paragraph (3)) under which such extension may be terminated; and

(B) shall include a card or other evidence of the family's entitlement to assistance under this title for the period provided in this subsection.

(3) **TERMINATION OF EXTENSION.**—

(A) **NO DEPENDENT CHILD.**—Subject to subparagraph (B), extension of assistance during the 6-month period described in paragraph (1) to a family shall terminate (during such period) at the close of the first month in which the family ceases to include a child who is (or would if needy be) a dependent child under part A of title IV; except that, with respect to a child who would cease to receive medical assistance because of this subparagraph but who may be eligible for assistance under the State plan because the child is described in clause (i) or (v) of section 1905(a), the State may not discontinue such assistance under this subparagraph until the State has determined that the child is not eligible for assistance under the plan.

(B) **NOTICE BEFORE TERMINATION.**—No termination of assistance shall become effective under subparagraph (A) until the State has provided the family with notice of the grounds for the termination.

(4) **SCOPE OF COVERAGE.**—

(A) **IN GENERAL.**—Subject to subparagraph (B), during the 6-month extension period under this subsection, the amount, duration, and scope of medical assistance made available with respect to a family shall be the same as if the family were still receiving aid under the plan approved under part A of title IV.

(B) **STATE MEDICAID "WRAP-AROUND" OPTION.**—A State, at its option, may pay a family's expenses for premiums, deductibles, coinsurance, or similar costs for health insurance or other health coverage offered by a employer of the caretaker relative or the absent parent of a dependent child. In the case of such coverage offered by an employer of the caretaker relative—

(i) the State may require the caretaker relative, as a condition of extension of coverage under this subsection, to make application for such employer coverage, but only if—

(I) the caretaker relative is not required to make financial contributions for such coverage (whether through payroll deduction, payment of deductibles, coinsurance, or similar costs, or otherwise), and

(II) the State provides, directly or otherwise, for payment of any of the premium amount, deductible, coinsurance, or similar expense that the employee is otherwise required to pay; and

(ii) the State shall treat the coverage under such an employer plan as a third party liability (under section 1902(a)(25)).

Payments for coverage under this subparagraph shall be considered, for purposes of section 1903(a), to be payments for medical assistance.

(b) MANDATORY 18-MONTH EXTENSION.—

(1) **REQUIREMENT.**—Notwithstanding any other provision of this title, each State plan approved under this title shall provide that the State shall offer to each family, which has received assistance during the entire 6-month period under subsection (a) and which meets the requirement of paragraph (2)(B), in the last month of the period the option of extending coverage under this subsection for the succeeding 18-month period, subject to paragraph (3).

(2) NOTICE OF OPTION.—

(A) **IN GENERAL.**—Each State, during the 3rd and 6th month of any extended assistance furnished to a family under subsection (a), shall notify the family of the family's option for subsequent extended assistance under this subsection. Each such notice shall include (i) a statement as to whether any premiums are required for such extended assistance, and (ii) a description of other out-of-pocket expenses, benefits, reporting and payment procedures, and any pre-existing condition limitations, waiting periods, or other coverage limitations imposed under any alternative coverage options offered under paragraph (4)(D).

(B) **REPORTING OF EARNINGS REQUIRED TO DETERMINE ANY PREMIUM.**—If the State requires a premium for extended assistance under this subsection, the State may require (as a condition for extended assistance under this subsection) that a family receiving extended assistance under subsection (a) report to the State, not later than the 21st day of the 4th month in the period of extended assistance under subsection (a), on the family's gross monthly earnings (less the cost of day care for dependent children) in each of the first 3 months of that period; but such requirement shall only apply if the notice under subparagraph (A) during the 3rd month of assistance describes the requirement of this subparagraph.

(C) **6TH MONTH NOTICE.**—The notice under subparagraph (A), furnished during the 6th month of assistance under this subsection, shall describe the amount of any premium required of a particular family for each of the first 3 months of extended assistance under this subsection.

(3) TERMINATION OF EXTENSION.—

(A) *IN GENERAL*.—Subject to subparagraphs (B) and (C), extension of assistance during the 18-month period described in paragraph (1) to a family shall terminate (during the period) as follows:

(i) *NO DEPENDENT CHILD*.—The extension shall terminate at the close of the first month in which the family ceases to include a child who is (or would if need be) a dependent child under part A of title IV.

(ii) *FAILURE TO PAY ANY PREMIUM*.—If the family fails to pay any premium for a month under paragraph (5) by the 21st day of the following month, the extension shall terminate at the close of that following month, unless the individual has established, to the satisfaction of the State, good cause for the failure to pay such premium on a timely basis.

(iii) *QUARTERLY INCOME REPORTING AND TEST*.—The extension shall terminate at the close of the 1st, 4th, 7th, 10th, 13th, or 16th month of the 18-month period if—

(I) the family fails to report to the State, by the 21st day of such month, information on the family's gross monthly earnings (less the costs of day care for dependent children) in each of the previous 3 months, unless the family has established, to the satisfaction of the State, good cause for the failure to report on a timely basis; except that this subclause shall not apply unless the State has notified the family, in the month before the month in which information is required to be reported under this subclause, of the reporting requirement of this subclause;

(II) the caretaker relative had no earnings in one or more of the previous 3 months, unless such lack of any earnings was due to an involuntary loss of employment, illness, or other good cause, established to the satisfaction of the State; or

(III) the State determines that the family's average gross monthly earnings (less costs of day care for dependent children) during the immediately preceeding 3-month period exceeds 185 percent of the official poverty line (as defined by the Office of Management and Budget, and revised annually in accordance with section 673(2) of the Omnibus Budget Reconciliation Act of 1981) applicable to a family of the size involved.

Instead of terminating a family's extension under clause (I), a State, at its option, may provide for suspension of the extension until the month after the month in which the family reports information required under that subclause, but only if the family's extension has not otherwise been terminated under subclause (II) or (III).

Information described in clause (iii)(I) shall be subject to the restrictions on use and disclosure of information pro-

vided under section 402(a)(9). The State shall make determinations under clause (iii)(III) for a family each time a report described in clause (iii)(I) for the family is received.

(B) NOTICE BEFORE TERMINATION.—No termination of assistance shall become effective under subparagraph (A) until the State has provided the family with notice of the grounds for the termination, which notice shall include (in the case of termination under subparagraph (A)(iii)(II), relating to no continued earnings) a description of how the family may reestablish eligibility for medical assistance under the State plan.

(C) CONTINUATION IN CERTAIN CASES UNTIL REDETERMINATION.—

(i) DEPENDENT CHILDREN.—With respect to a child who would cease to receive medical assistance because of subparagraph (A)(i) but who may be eligible for assistance under the State plan because the child is described in clause (i) or (v) of section 1905(a), the State may not discontinue such assistance under such subparagraph until the State has determined that the child is not eligible for assistance under the plan.

(ii) MEDICALLY NEEDY.—With respect to an individual who could cease to receive medical assistance because of clause (ii) or (iii) of subparagraph (A) but who may be eligible for assistance under the State plan because the individual is within a category of person for which medical assistance under the State plan is available under section 1902(a)(10)(C) (relating to medically needy individuals), the State may not discontinue such assistance under such subparagraph until the State has determined that the individual is not eligible for assistance under the plan.

(4) COVERAGE.—

(A) IN GENERAL.—During the extension period under this subsection—

(i) the State plan shall offer to each family medical assistance which (subject to subparagraphs (B) and (C)) is the same amount, duration, and scope as would be made available to the family if it were still receiving aid under the plan approved under part A of title IV; and

(ii) the State plan may offer alternative coverage described in subparagraph (D).

(B) ELIMINATION OF MOST NON-ACUTE CARE BENEFITS.—At a State's option and notwithstanding any other provision of this title, a State may choose not to provide medical assistance under this subsection with respect to any (or all) of the items and services described in paragraphs (4)(A), (6), (7), (8), (11), (13), (14), (15), (16), (18), (20), and (21) of section 1905(a).

(C) STATE MEDICAID "WRAP-AROUND" OPTION.—At a State's option, the State may elect to apply the option described in subsection (a)(4)(B) (relating to "wrap-around" coverage) for families electing medical assistance under this

subsection in the same manner as such option applies to families provided extended medical assistance under subsection (a).

(D) **ALTERNATIVE ASSISTANCE.**—At a State's option, instead of the medical assistance otherwise made available under this subsection the State may offer families a choice of health care coverage under one of more of the following:

(i) **ENROLLMENT IN FAMILY OPTION OF EMPLOYER PLAN.**—Enrollment of the caretaker relative and dependent children in a family option of the group health plan offered to the caretaker relative.

(ii) **ENROLLMENT IN FAMILY OPTION OF STATE EMPLOYEE PLAN.**—Enrollment of the caretaker relative and dependent children in a family option within the options of the group health plan or plans offered by the State to State employees.

(iii) **ENROLLMENT IN STATE UNINSURED PLAN.**—Enrollment of the caretaker relative and dependent children in a basic State health plan offered by the State to individuals in the State (or areas of the State) otherwise unable to obtain health insurance coverage.

(iv) **ENROLLMENT IN HMO.**—Enrollment of the caretaker relative and dependent children in a health maintenance organization (and defined in section 1903(m)(1)(A)) less than 50 percent of the membership (enrolled on a prepaid basis) of which consists of individuals who are eligible to receive benefits under this title (other than because of the option offered under this clause). The option of enrollment under this clause is in addition to, and not in lieu of, any enrollment option that the State might offer under subparagraph (A)(i) with respect to receiving services through a health maintenance organization in accordance with section 1903(m).

If a State elects to offer an option to enroll a family under this subparagraph, the State shall pay any premiums and other costs for such enrollment imposed on the family. A State's payment of premiums for the enrollment of families under this subparagraph (not including any premiums otherwise payable by an employer and less the amount of premiums collected from such families under paragraph (5)) shall be considered, for purposes of section 1903(a)(1), to be payments for medical assistance.

(E) **OPEN ENROLLMENT.**—If a State offers an alternative option under subparagraph (D) to families, the State must offer such families the option of enrolling or disenrolling in such an option during a one month period each year without cause and, in the case of enrollment under clause (iii) or (iv) of such subparagraph, the option of disenrolling from the organization or plan for cause at any time.

(F) **PROHIBITION ON COST-SHARING FOR MATERNITY AND PREVENTIVE PEDIATRIC CARE.**—

(i) **IN GENERAL.**—If a State offers an alternative option under subparagraph (D) for families, under the

option the State must assure that care described in clause (ii) is available without charge to the families through—

(I) payment of any deductibles, coinsurance, or other cost-sharing respecting such care, or

(II) providing coverage under the State plan for such care without any cost-sharing, or any combination of such mechanisms.

(ii) **CARE DESCRIBED.**—The care described in this clause consists of—

(I) services related to pregnancy (including prenatal, delivery, and postpartum services), and

(II) ambulatory preventive pediatric care (including ambulatory early and periodic screening, diagnosis, and treatment services under section 1905(a)(4)(b)) for each child who meets the age and date of birth requirements to be a qualified child under section 1905(n)(2).

(5) PREMIUM.—

(A) **PERMITTED.**—Notwithstanding any other provision of this title (including section 1916), a State may impose a premium for a family for extended coverage under this subsection, which premium may vary by family size.

(B) **LEVEL MAY VARY BY OPTION OFFERED.**—The level of such premium may vary, for the same family, for each option offered by a State under paragraph (4)(C).

(C) **LIMIT ON PREMIUM.**—In no case may the amount of any premium under this paragraph for a family for a month in one of the premium payment periods described in subparagraph (D)(ii) exceed 10 percent of the amount by which—

(i) the family's average gross monthly earnings (less the costs of day care for dependent children) during the premium base period (as defined in subparagraph (d)(iii)), exceeds.

(ii) the monthly minimum wage earnings (as defined in subparagraph (d)(i)) for the period.

(D) **DEFINITIONS.**—In subparagraph (C):

(i) The term “monthly minimum wage earnings” means the average amount of earnings which one person would earn during a month in the period if the person were employed for 8 hours on each weekday in the month and was paid the minimum wage rate provided under section 6(a) of the Fair Labor Standards Act of 1938.

(ii) A “premium payment period” described in this clause is a 3-month period beginning with the 1st, 4th, 7th, 10th, 13th, or 16th month of the 18-month extension period provided under this subsection.

(iii) The term “premium base period” means, with respect to a particular premium payment period, the period of 3 consecutive months the last of which is 4 months before the beginning of that premium payment period.

(c) *APPLICABILITY IN STATES AND TERRITORIES.*—

(1) *STATES OPERATING UNDER DEMONSTRATION PROJECTS.*—*In the case of any State which is providing medical assistance to its residents under a waiver granted under section 1115(a), the Secretary shall require the State to meet the requirements of this section in the same manner as the State would be required to meet such requirement if the State had in effect a plan approved under this title.*

(2) *INAPPLICABILITY IN COMMONWEALTHS AND TERRITORIES.*—*The provisions of this section shall only apply to the 50 States and the District of Columbia.*

(d) *GENERAL DISQUALIFICATION FOR FRAUD.*—*This section shall not apply to an individual who is a member of a family if the individual's eligibility for aid was terminated because of fraud or the imposition of a sanction.*

(e) *CARETAKER RELATIVE DEFINED.*—*In this section, the term "caretaker relative" has the meaning of such term as used in part A of title IV.*

REFERENCES TO LAWS DIRECTLY AFFECTING MEDICAID PROGRAM

SEC. [1921.] 1922. (a) *AUTHORITY OR REQUIREMENTS TO COVER ADDITIONAL INDIVIDUALS.*—*For provisions of law which make additional individuals eligible for medical assistance under this title, see the following:*

(1) *AFDC.*—(A) Section 402(a)(32) of this Act (relating to individuals who are deemed recipients of aid but for whom a payment is not made). Section 402(a)(37) of this Act (relating to individuals who lose AFDC eligibility due to increased earnings).

* * * * *

ADDITIONAL VIEWS OF REPRESENTATIVES JIM SLATTERY AND JIM COOPER ON THE FAMILY WELFARE REFORM ACT OF 1987

Our welfare system has long needed an overhaul, and we strongly support the Family Welfare Reform Act of 1987. H.R. 1720 will build into our welfare policies incentives for recipients to move toward economic independence. This legislation will encourage families to stay together and will see that the heads of these families get the education and training they need to leave welfare behind.

There is no question that reforming our welfare system will be costly. As we embark on an expansion of an entitlement program, we need to proceed with caution. According to Congressional Budget Office cost estimates, H.R. 1720 as reported by the Ways and Means Committee will cost the federal government \$5.3 billion over five years. The bill will impose significant spending increases on the states as well. Nevertheless, the costs of perpetuating the dependence of millions of poor individuals on welfare are even greater.

The availability of health care coverage is an important component of a national strategy to assist dependent families in moving toward self-sufficiency. We believe that the Energy and Commerce six-month extension of Medicaid benefits, coupled with the additional eighteen-month alternative health protection policy, will be a vast improvement over the current four-month extension period. It is also significantly better than the six-month extension as reported by the Ways and Means Committee. The Committee's package of state options is innovative and may offer a partial solution to the problem of who should provide health insurance to the millions of Americans who lack it.

The Committee's extension of health care benefits to welfare families who find employment may enhance greatly our ability to assist welfare recipients in becoming productive partners in our country's economy. We appreciate Chairman Waxman's willingness to modify Title IV of the legislation, as originally reported by the Health and Environment Subcommittee, to ensure truly bipartisan support for this landmark legislation.

DISSENTING VIEWS ON H.R. 1720—FAMILY WELFARE REFORM ACT OF 1987

This Committee's jurisdiction over H.R. 1720 is limited to Title IV, which provides and extension of Medicaid benefits to individuals who come off of the welfare rolls. As reported by the Committee, Medicaid benefits would have to be provided for a total of 24 months after an individual became ineligible for welfare benefits because of increased earnings.

We are committed to preventing former recipients from returning to their dependence on welfare programs. We recognize that the rationale for the provision in Title IV is based on the belief that individuals will return to welfare, at least in part, because they need the health insurance coverage provided through Medicaid programs which they cannot obtain at reasonable costs as new employees. But we think that the provisions in Title IV which were reported by the Committee will increase, rather than decrease, dependency of Federal and State governments.

We believe that if the Committee's version of Title IV were enacted, families may be induced to stay on welfare rolls in order to receive 24 months of post-welfare health coverage. Additionally, employers may have an incentive to not offer or to reduce health insurance coverage for lower wage workers if they know Medicaid will provide coverage to former welfare recipients.

We are also concerned that the provisions in Title IV may force financially strapped States to cut back on Medicaid coverage they currently provide. States' abilities to provide optional coverages for pregnant women, infants, and children may be severely limited if they are required to provide 24 months of mandatory coverage to individuals coming off welfare.

Federal law currently provides for 4 to 15 months of Medicaid coverage for individuals who leave the welfare rolls. We believe that current law is sufficient to provide for a manageable transition from welfare dependency to self sufficiency.

Finally, we are concerned that the Congressional Budget Office estimates that the cost of providing Medicaid coverage for persons coming off of welfare will be one billion dollars over five years.

That is the Federal Government's share. The States will have to pay an equal amount over the same period. This is an exorbitant amount which neither level of government can currently absorb.

NORMAN F. LENT.
CARLOS J. MOORHEAD.
BILL DANNEMEYER
THOMAS J. TAUKE.
DON RITTER.
JACK FIELDS.
MICHAEL G. OXLEY.
HOWARD C. NIELSON.
MICHAEL BILIRAKIS.
DAN SCHAEFER.
JOE BARTON.
SONNY CALLAHAN.

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100TH CONGRESS }
2d Session

SENATE

{ REPORT
100-377

FAMILY SECURITY ACT OF 1988

REPORT

OF THE

COMMITTEE ON FINANCE
UNITED STATES SENATE

ON

S. 1511

together with

ADDITIONAL VIEWS



MAY 27 (legislative day, MAY 18), 1988.—Ordered to be printed

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FAMILY SECURITY ACT OF 1988

MAY 27 (legislative day, MAY 18), 1988.—Ordered to be printed

Mr. BENTSEN, from the Committee on Finance,
submitted the following

REPORT

together with

ADDITIONAL VIEWS

[To accompany S. 1511]

The Committee on Finance, to which was referred the bill (S. 1511) to amend title IV of the Social Security Act to replace the AFDC program with a comprehensive program of mandatory child support and work training which provides for transitional child care and medical assistance, benefits improvement, and mandatory extension of coverage to two-parent families, and which reflects a general emphasis on shared and reciprocal obligation, program innovation, and organizational renewal, having considered the same, reports favorably thereon with an amendment in the nature of a substitute, and recommends that the bill as amended do pass.

I. SUMMARY OF MAJOR PROVISIONS

The bill, S. 1511, is designed to restructure the basic program of public assistance for families in ways that emphasize parental responsibility through the enforcement of child support and expanded opportunities in education and training.

Child support enforcement.—The bill strengthens the child support enforcement system by requiring States:

- to establish guidelines which must be used in setting child support awards,
- to provide mechanisms which will facilitate the periodic updating of child support awards, and

—to institute a system of immediate wage withholding for all new or revised child support cases which are being enforced by the State child support agency.

Education, employment and training.—The bill provides for a new JOBS program for welfare recipients under which States may provide a broad array of education, employment, and training activities aimed at helping and requiring welfare recipients to move from welfare to employment. This JOBS program will replace the current WIN program and build on the experience of several successful State demonstration programs over the past several years by providing an assured Federal funding commitment and an improved administrative structure at both the Federal and State levels.

Transitional assistance.—To facilitate the transition from welfare to work, the bill provides for subsidized child care for a period of nine months after a family leaves welfare. Medicaid coverage will also be provided for six months, with an additional 6 months available subject to the payment of an income-related premium.

Assistance to families of unemployed parents.—The bill requires all States to assist needy families in which both parents are present but the principal earner is unemployed. Such assistance may be provided through a time-limited employment-oriented transitional program aimed at restoring the parents to productive employment.

Budget neutral legislation.—Over the next five years, the proposed legislation is estimated to have a cost of \$2.6 billion. This cost will be entirely offset by other provisions in the bill which provide for the collection of debts owed the Federal government from tax refunds and which phase out the dependent care credit for families with income above \$70,000. Overall, the bill will slightly decrease the Federal deficit.

A more detailed summary of S. 1511 follows.

CHILD SUPPORT ENFORCEMENT

S. 1511 includes the following provisions designed to strengthen the child support enforcement program:

Establishing paternity.—The bill provides 90 percent Federal matching for laboratory testing involved in establishing paternity, and requires States to meet minimum paternity establishment standards.

Use of guidelines in setting child support award amounts.—States must establish guidelines that are binding on judges and other officials unless there is good cause. The bill requires the States to develop programs for periodic review of child support awards within one year after enactment. Effective five years after enactment, States must provide biennial review of all child support awards that are being enforced by the child support agency upon request of either parent. The bill authorizes demonstration projects to test and evaluate model procedures for reviewing awards.

Wage withholding.—States must have procedures for immediate wage withholding (without waiting for an arrearage) with respect to all new or modified orders that are being enforced by the child support enforcement agency unless: (1) the State finds good cause,

or (2) both parties agree to an alternative arrangement. Immediate wage withholding will apply to old orders if the custodial parent requests it, and the State determines that it is appropriate to grant the request. The Secretary must conduct a study of the feasibility and effects of requiring immediate wage withholding for orders that are not being enforced by State child support enforcement agencies.

Commission on interstate enforcement.—The bill establishes a Commission on Interstate Child Support to make recommendations to improve interstate enforcement and to make recommendations concerning the Uniform Reciprocal Enforcement of Support Act.

Automated tracking and monitoring system.—States must develop a Federally-approved statewide system to monitor child support cases that are being enforced by the child support enforcement agency.

Use of social security number.—States must require parents to furnish their social security numbers upon birth of a child (but they need not be recorded on the birth certificate).

Visitation and custody.—The bill authorizes \$5 million for each of 2 years to fund demonstration projects to develop or improve activities designed to increase compliance with child access provisions of court orders.

Employment and training for non-custodial parents.—States may allow or require absent parents who owe but cannot pay court-ordered child support because of unemployment to participate in the new education and training program (JOBS).

Requirements for prompt response.—The Secretary of Health and Human Services must establish standards specifying time limits in which a State must respond to requests for services. He must consult with an advisory committee.

INTERNET system.—The bill gives the Secretary of HHS prompt access to wage and unemployment compensation information, maintained through an arrangement sometimes referred to as "INTERNET", for purposes of enforcing child support.

Notification of support collected.—Beginning four years after enactment, States must provide families receiving welfare with monthly notice of the amount of support collected on their behalf by the child support enforcement agency. Notice may be quarterly if it is determined that more frequent notice imposes an unreasonable administrative burden on the State.

\$50 disregard.—The bill clarifies the provision in current law requiring that the first \$50 in monthly support collected be passed on to the family by providing that payments due for a prior month must be disregarded if made by the absent parent in the month when due.

EDUCATION, EMPLOYMENT, AND TRAINING

New JOBS program.—S. 1511 replaces the Work Incentive (WIN) program with an entirely new Job Opportunities and Basic Skills Training Program (JOBS) to help welfare recipients attain the ability to enter or reenter gainful employment.

Program activities.—State JOBS programs may include a wide variety of work and training activities including education, on-the-

job training, skills training, work supplementation, community work experience, job search, and other activities related to education, training, and employment. States will be free to design the content of their JOBS programs except that all States will be required to include basic education and skills training among the program components offered.

Participation requirements.—Participation is generally mandatory for able-bodied, adult welfare recipients except those caring for young children under age 3. (States may lower the age of the child from 3 to as low as 1. Except for school attendance, mandatory participation is limited to part-time for parents caring for children under age 6.) School attendance is required for parents under age 22 who have not graduated from high school, regardless of the age of their children. Child care is guaranteed for those needing such care in order to participate in the JOBS program.

Program funding.—Education, employment, and training costs under the JOBS program are eligible for Federal funding as an entitlement. The Federal matching rate is generally 60 to 80 percent (depending on State per capita income) subject to an overall national limit of \$500 million for fiscal year 1989, \$650 million in 1990, \$800 million in 1991, and \$1 billion in 1992 and thereafter. The first \$126 million of funding will be allocated among the States in the same way as the fiscal 1987 allocation of funding under the WIN program (and qualifies for the 90 percent WIN matching rate). Additional funds will be allocated among the States in proportion to their adult welfare population. Child care costs will be funded on an open-ended basis at a matching rate of 50 to 80 percent depending on State per capita income (the Medicaid matching rate). Indian tribes are authorized to claim funding from within each State's allocation.

Target populations.—States are required to devote at least half of the JOBS program funds to individuals who are, or are likely to be, long-term welfare recipients, as follows: (1) recipients who have received assistance for 30 of the preceding 60 months; (2) applicants who have received assistance for 30 of the 60 months preceding application; or (3) custodial parents under age 24 who have little or no work experience in the previous year or who have not completed high school. Within the target groups, volunteers will be given first consideration for participation.

Program administration.—At the Federal level, responsibility for administration of welfare programs (including cash assistance, child support, and JOBS) will be vested in a new Assistant Secretary of the Department of Health and Human Services. At the State level, responsibility for administration and coordination will lie with the State welfare agency. The Secretary of Health and Human Services is also directed by the legislation to provide for an evaluation of the effectiveness of the new JOBS program and to develop and recommend to the Congress a set of performance standards for that program. The Committee on Finance also expects to undertake careful and thorough oversight of the implementation of the new program.

Other.—The bill includes several other provisions detailing the operation of the new JOBS program including provisions assuring

fair hearings before the imposition of any sanctions and prohibiting the use of subsidized employment to displace regular employees.

WORK TRANSITION PROVISIONS

In order to assist families in making the transition from welfare to work, the bill requires States to provide time-limited child care and Medicaid benefits as follows:

Child care.—States must provide child care determined by the State agency to be necessary for a parent's employment for a period of nine months in any case where the parent has lost assistance because of increased income from, or increased hours of, employment, or because of the loss of earnings disregards. Families must contribute to the cost, according to a State-established fee schedule. Federal matching funds are available to the States at the Medicaid matching rate (50–80 percent open-ended entitlement). Matching is available for costs up to amounts established by the State, but not in excess of local market rates.

Medicaid.—States must continue Medicaid benefits for a period of six months for all families that lose eligibility for cash assistance because of increased income from, or increased hours of, employment, or because of the loss of earnings disregards. They must offer these families the option of continuing their Medicaid coverage for an additional six months (total of 12 months). During the second 6-month period, States must charge a premium not to exceed 3 percent of income for those families with income above the poverty level. The Secretary of HHS must conduct a study of the effect of the Medicaid transition provisions.

CASH BENEFITS PROVISIONS

Name of Program.—The bill renames the basic welfare program for families, the aid to families with dependent children program. Effective upon enactment, the program will be called the child support supplement program.

Benefits for families with unemployed parents.—All States will be required to have a program providing cash assistance to two-parent (intact) families in which the principal earner is unemployed. States will have the flexibility to design programs to meet individual State needs and to emphasize education, training and employment services for unemployed parents and spouses. Specifically, State programs may: (1) require participation in one or more education, employment, and training activities approved under the JOBS program (not to exceed a combined total of 40 hours a week); (2) provide for payment after performance; (3) provide for the participation of both spouses (subject to the requirements with respect to child care under the JOBS program); and (4) limit cash assistance to a period of no less than six months in any 12-month period. States will have the option of providing benefits for any period longer than six months.

A State that chooses to provide assistance for a limited period of time will be required to provide Medicaid for all children up to age 18 for as long as the family is otherwise eligible for assistance, and may provide Medicaid for the entire family. (Pregnant women are already covered.) In addition, the State must provide assurances to

the Secretary that if it elects to provide assistance for a limited period of time, it will have a program of active assistance to parents to help them prepare for and find employment.

The Secretary of HHS must provide for the evaluation of unemployed parent programs (both time-limited and other).

The Secretary is required to approve demonstration projects in up to 10 States using a definition of unemployment that is more liberal than the definition in present law (working fewer than 100 hours a month).

Minor parents.—Under the bill, a minor under age 18 who has never married and who has a child may receive assistance only if she resides with a parent, legal guardian, or other adult relative, or in a foster home, maternity home, or other adult-supervised supportive living arrangement. This requirement will not apply in certain specified situations.

Evaluation of need and payment standards.—Each State is required to reevaluate its need and payment standards at least every 5 years and to report the results to the Secretary.

Fraud prevention initiative.—The Secretary of Health and Human Services is directed to issue regulations requiring States to institute pre-eligibility screening procedures designed to provide early detection of fraudulent applications for assistance.

PUERTO RICO, VIRGIN ISLANDS, GUAM, AND AMERICAN SAMOA

The annual limits on Federal funds payable to Puerto Rico, the Virgin Islands and Guam for their public assistance programs are increased to the following amounts: Puerto Rico—\$82,000,000; Virgin Islands—\$2,800,000; and Guam—\$3,800,000.

American Samoa will be eligible to receive \$1 million a year for the costs of welfare assistance to families and for the foster care and adoption assistance programs. Federal matching will be 75 percent. The child support and JOBS programs will also be extended to American Samoa.

DEMONSTRATION AUTHORITY

General waiver authority.—The bill authorizes the Secretary of Health and Human Services to approve up to 50 demonstration projects under special new waiver authority. Under these demonstration projects benefit levels for families and individuals must be maintained at levels they would be in the absence of the demonstrations. The Secretary is authorized to waive requirements of the cash assistance, child support, JOBS, emergency assistance, and social services programs as necessary to operate these demonstration projects. (Waivers may not be made with respect to the child support program if the waivers would impair interstate child support enforcement or paternity determination actions, or if they would otherwise reduce child support collections.) Consideration will be given to waivers designed to address the needs of rural areas.

Other demonstration projects.—The bill also authorizes several specific demonstration projects relating to housing for families receiving emergency assistance; innovative education and training for children; expanding the availability of child care, particularly

in rural areas; employing welfare recipients as child care providers; funding non-profit organizations to work with private employers to create new jobs for welfare recipients; and reducing the rates of pregnancy, suicide, substance abuse, and school dropout among high-risk teenagers.

REVENUE PROVISIONS

Refund offset program.—Under the Refund Offset Program, the IRS collects delinquent debts owed to the government by withholding the debtor's tax refunds. The Omnibus Budget Reconciliation Act of 1987 extended the program's authority to June 30, 1988. The bill would make the program permanent. The bulk of the revenue raised by refund offsets comes from taxpayers who are delinquent in repaying student loans.

Child care credit.—Under current law, taxpayers may take a tax credit for certain child care expenses up to \$2,400 per child, and up to \$4,800 for more than one child. The credit is equal to 30 percent of these expenses at levels of adjusted gross income below \$10,000. At the \$10,000 income level, the credit percentage is phased down until it reaches 20 percent at income levels over \$28,000.

Under current law, the credit remains at 20 percent for all income levels over \$28,000. The bill would change this by phasing out the credit beginning at income levels over \$70,000. The credit percentage would be gradually reduced until it is zero at income levels over \$93,750.

Taxpayer identification numbers (TINs).—A taxpayer's TIN generally is that taxpayer's social security number. The Tax Reform Act of 1986 established the rule that a taxpayer claiming a dependent who is at least 5 years old must report the TIN of that dependent on that tax return. The purpose of the provision is to insure the validity of claims for dependents on tax returns, especially in the case of divorced parents. The bill would modify the rule to require that the TINs of dependents at least 2 years old be reported on the tax return.

II. GENERAL DISCUSSION OF THE BILL

MAJOR ELEMENTS IN THE BILL

More than a year ago, the Nation's Governors issued a welfare reform policy statement recommending that we "turn what is now primarily a payments system with a minor work component into a system that is first and foremost a jobs system, backed up by an income assistance component."

This statement underscores a point on which most Americans agree—welfare reform legislation must bring about a fundamentally new direction for the Nation's welfare system.

We know from experience that this may be difficult to accomplish. In years past, the Congress has enacted other laws designed to achieve this same objective. The most notable example is the Work Incentive (WIN) program. When it was enacted 20 years ago, WIN offered generous open-ended entitlement funding for child care, and a wide array of education, employment, and training pro-

grams. The experts estimated that these programs would help large numbers of welfare recipients out of dependency.

Unfortunately, WIN never lived up to its promise. It was enacted at a time when the value of employment and training programs was seriously questioned. It had an administrative structure that was complex and lacked accountability. And neither the Administration, the Congress, nor the Governors and State legislators were fully supportive of it. Lacking broad support, it has been whittled away year by year, demoralizing recipients and administrators alike.

The lesson of WIN was costly, both in time and human resources, and we cannot afford another 20-year digression.

We need now to fashion a firm and effective welfare structure, one that addresses the needs of all regions of the country.

The bill reported by the Committee on Finance seeks to do this. It builds upon a strong consensus, joined in by liberals and conservatives alike, that the Nation's welfare system must stress family responsibility and community obligation, enforce the principle that child support must in the first instance come from parents, and reflect the need for benefit improvement, program innovation, and organizational renewal at every level in the system.

Child support enforcement.—One of the major elements in the Committee bill is a series of amendments to strengthen the child support enforcement program. The problem of nonsupport of children by their parents has become a serious one for this country. Nearly one-quarter of all children now live with only one parent. And although many noncustodial parents are diligent payers of child support, there are millions who are not. Census Bureau data tell us that of the 8.8 million mothers with children whose fathers were not living in the home in the spring of 1986, 3.4 million, or nearly 40 percent of these mothers, had never been awarded support for their children. Fewer than one in five of mothers who had never been married had been awarded support. Of those who had been awarded and were due support in 1986, only half received the full amount they were due. The bill addresses the problem of nonsupport by building on earlier proposals reported by this Committee in 1974 and 1984. It includes amendments aimed at establishing more equitable and adequate child support awards, including a mechanism to update awards on a regular basis. It also includes amendments to improve child support collections through immediate mandatory wage withholding. It enhances the capacity of the program to establish paternity by providing improved funding for laboratory testing, and by requiring States to meet minimum paternity establishment performance standards.

S. 1511 will result in improved service at all stages of the enforcement process. It requires the Secretary of Health and Human Services to set standards specifying time limits in which a State must respond to requests for services, including requests to locate absent parents, establish paternity, or initiate proceedings to establish and collect support. A new Commission on Interstate Enforcement will work toward improving procedures for enforcement in difficult interstate cases.

Education, employment, and training.—The second major element of the bill is a provision to build a vastly improved program

of education, employment, and training for welfare recipients. Enabling the parents of needy children to participate more fully in the economic life of the country is surely one of the most important aspects of welfare reform. And how the Congress goes about doing this will determine whether there is real reform, or just another program that later proves to be a disappointment.

Building a new program is a complex task. Fortunately, the Committee has been able to draw upon the experience of States in all regions of the country that have been in the forefront of the effort to help welfare recipients to become self-supporting and avoid long-term dependency.

The Committee has also benefited from valuable recent research findings that tell us that education, employment, and training programs are effective in raising earnings and employment levels for welfare recipients, and that they can also be cost effective from the standpoint of the government.

For most welfare recipients, welfare is a temporary aid, used for a relatively brief time during a period of family crisis or upheaval. But for too many—one family in four—welfare is far too permanent, lasting as long as 10 years or more.

These families are the particular focus of the Committee's bill. States will be required to target at least half of their expenditures on services for long-term, or potentially long-term, welfare recipients. We know that these recipients often have multiple handicaps, and that helping them to economic self-sufficiency will not be easy. But if this Nation is to have any prospect of resolving the problems of long-term and intergenerational dependency, a strong new effort must be undertaken. This bill is the first step in a process of reform that is aimed directly at finding solutions to these serious social problems.

In developing its new JOBS program, the Committee worked on the basis of several fundamental principles that it believes are crucial in order for a new program to be successful.

First, the system of financing must be stable and sustainable, and must take into consideration the fiscal capacity of both the Federal Government and the individual States.

Second, there must be an administrative structure that builds on existing resources, encourages State and local initiative, and that can be held accountable for success or failure.

Third, there must be an effective planning process that assures the best use of limited resources, and draws upon the private sector to ensure that individuals are trained for jobs that are available in the community.

Fourth, opportunities and obligations must go hand-in-hand. Programs must be perceived as fair both by recipients, and by the community at large.

Fifth, the program must be flexible. Although research has given us new insights into the value of employment and training programs for welfare recipients, there is much yet to be learned. States must be able to adapt to changing situations and take advantage of new experience and knowledge.

The Committee believes that the new Job Opportunities and Basic Skills Training (JOBS) program created by this bill is consistent with these principles. As described more fully below, the bill

provides Federal matching funds to the States through a capped entitlement mechanism that will assure each State a share of Federal dollars equal to \$500 million in 1989, \$650 million in 1990, \$800 million in 1991, and \$1 billion in 1992 and years thereafter.

Responsibility for administration of the new program will lie with the welfare agency at both the Federal and State levels. At the Federal level, there will be a new Assistant Secretary for Family Support in the Department of Health and Human Services who will have responsibility for administering the JOBS program, as well as the child support and child support supplement programs. The establishment of this new office of high responsibility emphasizes the importance that this Committee assigns to the mission of carrying out a real and lasting reform of the entire system.

At the State and local levels, welfare agencies will continue to be responsible for providing necessary cash assistance. But they will provide this assistance hand-in-hand with opportunities and obligations for education, employment, and training. The Committee recognizes that successful transformation of the present welfare system into a system that is first and foremost a jobs system, backed up by an income assistance component, as the Governors have proposed, will require creative leadership on their part and on the part of welfare administrators. Testimony by both the Governors and welfare administrators has convinced the Committee that this leadership role will be fulfilled.

Although the Committee bill gives responsibility for providing JOBS services to welfare agencies, it also requires them to coordinate their efforts with other agencies at the State and local levels that provide education and training services. Close cooperation by all agencies that have experience and expertise in providing these services will be essential if the program is to succeed.

The bill authorizes funding for a wide variety of services, so that States can develop programs that fit the needs of their communities and the needs of individual recipients. All State programs must include basic education and skills training components, to assure that those welfare recipients who are without basic education and job skills will have an opportunity to compete for jobs in the labor market.

At the same time, States must require able-bodied adults to participate in the JOBS program and to accept employment. In the short term, involving large numbers of welfare recipients in education and employment activities will require States to commit substantial new resources of their own. In return, those individuals who are physically and mentally able, and who do not have very small children, or whose child care needs are met, will be expected and required to undertake appropriate activities that will lead them and their families out of dependency. Thus, the Committee bill represents a fair approach. It promises new opportunities, but it also imposes obligations.

If all sides do their job we will be able to look forward to a time when being on welfare will not be regarded, either by the public or by any individual family, as a way of life, but as a way of moving on to a more productive and rewarding role in society.

Transitional assistance.—A major aim of the bill is to help families off the welfare rolls and into jobs. The Governors have request-

ed, and the Committee has agreed, that transitional child care and Medicaid services will be made available to families that lose welfare benefits because of earnings. The Committee believes that temporary assistance in meeting child care costs will be extremely helpful in enabling and encouraging mothers of young children to enter or reenter the labor force. At the same time, the Committee's provision requires States to establish fee schedules that will require families to contribute to the cost of care according to their income.

The Committee also recognizes that fear of the loss of medical care for their children is a clear disincentive for many mothers to seek and accept employment. The bill addresses this problem by requiring States to provide temporary Medicaid services for families that go off the welfare rolls because of earnings. Six months of benefits will be provided without any payment by the family. However, in the second six-month period of transitional Medicaid assistance, States will be required to charge a premium to those families with income above the poverty level.

Benefits for unemployed parents.—Under the Aid to Families with Dependent Children statute, enacted as part of the Social Security Act in 1935, State programs must provide assistance to children and their caretaker relatives who are in need because of the death, incapacity, or absence from the home of a parent. There is no Federal requirement for providing assistance to intact families in need because a parent is unemployed. For at least the last three decades, critics of the welfare system have challenged these rules, arguing that parents should not have to abandon their families in order to be eligible for welfare assistance. In 1961, the Congress amended the Federal statute to allow States, at their option, to provide cash benefits to intact families where the family is in need because the principal earner is unemployed (AFDC-UP). Twenty-seven States have exercised this option; twenty-three have not.

The issue of whether to require all States to extend welfare benefits to intact families in which the principal parent is unemployed has been at the heart of the welfare reform debate over the last two decades.

The Committee is persuaded that both equity and basic concern for the welfare of children require that this issue be resolved in the affirmative. Accordingly, S. 1511 requires all States to provide benefits to unemployed parent families. But the approach adopted by the Committee allows States to design a new and positive approach to helping these families. The Committee takes the view that States should be allowed to structure their unemployed parent programs so as to provide a temporary transition from welfare to employment. States will be allowed to pay benefits on a time-limited basis, to require active participation by both parents in education, employment, and training activities, and to pay the benefits after performance of any required activity.

States that choose to provide benefits on a time-limited basis (which can be no less than 6 months out of any 12-month period) must assure the Secretary that they have a program of active assistance to parents to help them prepare for and find employment. Thus, the Committee's bill emphasizes to both the State agency and the recipient that the goal is employment and self-sufficiency.

PROGRAM INNOVATION/COMMITTEE OVERSIGHT

The decade of the eighties has been a fruitful time for State innovation and rigorous evaluation, and this bill incorporates the many important insights that have been gained. But there is much yet to be learned. S. 1511 paves the way for future innovation by giving States broad authority and flexibility in designing their new education, employment, and training programs, and by authorizing the Secretary of Health and Human Services to waive provisions of certain Federal statutes to enable States and localities to structure demonstration programs aimed at specified goals.

The Committee is aware that there are conflicting views about this aspect of the bill. There are those who believe the bill allows States to exercise far too great discretion, just as there are those who argue the contrary view.

The Committee has sought to steer a constructive middle course. Recent experience has proved beyond any doubt that there is much to be gained by allowing and encouraging States to chart new territory. Legislation enacted in 1981 and 1982 gave States limited new opportunities for designing their own programs, which a significant number have used in highly successful ways. There is good reason to believe that Governors and State legislatures will continue their creative and pioneering work. This is both the hope and the expectation of the Committee.

At the same time, important entitlements are at stake. The families who are dependent upon welfare programs are among the most vulnerable in our society. Their well-being must be protected. The Committee's bill includes numerous specific protections that have been written with this purpose in mind.

Of equal significance to these written protections is the Committee's commitment to vigorous oversight of the implementation of the entire welfare reform process. The Committee does not intend to abandon the reform effort with the signing of the bill into law. No single piece of legislation can foresee all the questions and provide all the answers. Welfare reform will be an evolving process. The Committee on Finance is committed to playing a continuing role, joining in, and overseeing, the work of the many public and private organizations that will be involved.

Too often in the past we have seen good intentions turned to nought by failure to follow through. This cannot be allowed to happen to welfare reform. Successes must be built upon, and errors must be corrected. Close scrutiny by the Committee, through hearings and other oversight activities, can help this to come about.

The Committee's oversight will include urban and rural areas alike, and will extend to all regions of the country. There is great opportunity for change in the Nation's welfare system. But it will require determination and sustained effort to bring it about. The Committee on Finance is committed to do its share.

BUDGET NEUTRALITY

At the beginning of this Congress, the Committee recognized that there was a unique opportunity for accomplishing the goal of welfare reform which had proven elusive for so many years. Detailed studies of innovative experiments carried out by many States had

become available. While far from providing all the answers to the difficult problems of welfare reform, these experiments did produce a rich body of new information. Several major, but diverse, study groups had recently issued reports setting forth proposals for welfare reform—and there proved to be much commonality among these reports. Hearings held by the Committee and by its Subcommittee on Social Security and Family Policy showed broad support for welfare reform and considerable consensus as to the major elements of what such reform should include. The Administration also indicated strong support for the concept of enacting legislation to reform the welfare system.

The Committee recognized, however, that a major new social initiative would be difficult to reconcile with the need to avoid worsening the budgetary situation of the Nation. Over the past several years, the Committee has been called upon time after time to produce legislation lowering the budget deficit, and it has done so. Nonetheless, the Government is still running annual deficits exceeding \$100 billion.

The Committee accepted this challenge to produce legislation which represents a significant new initiative in social welfare policy in a manner which does not worsen the budget deficit. This bill fully meets that challenge. It is budget neutral (in fact it produces a modest reduction in the deficit.) It achieves this goal both in the first fiscal year (1989) and in the last fiscal year (1993) of the estimating period. It achieves it over the 3 fiscal years covered by the budget resolution (fiscal 1989–1991) and it achieves it over the 5 years covered by the CBO estimate (1989–1993). It achieves it, as described below, without placing unreasonable burdens on State governments.

The Committee bill does provide for some significant new expenditures of Federal funds. For example, it establishes a commitment to entitlement funding ultimately reaching \$1 billion per year for helping States with employment and training programs for welfare recipients. But it also includes provisions that save money. For example, some of those employment and training costs will be offset by savings as families leave the welfare rolls for employment. The bill also saves money by strengthening child support enforcement and by helping Federal agencies collect past due debts by offsetting tax refunds. Finally, the bill phases out the dependent care credit for higher income taxpayers and strengthens the policing of tax returns by expanding the requirement that dependents' tax identification numbers be provided.

In net then, this bill is good social policy and good budgetary policy.

IMPACT OF WELFARE REFORM ON THE STATES

In developing this welfare reform legislation, the Committee has been keenly aware of the important part that the States have and must continue to play in our national welfare system. In creating a program of public assistance for families with children in 1935, Congress saw the Federal role as one of providing guidance and fiscal assistance but left the States the primary responsibility for developing State plans for assistance, setting eligibility standards,

and administering the program. The Committee bill continues this long-standing approach of a Federally supported and guided, but State-administered and partially State-financed program.

The Committee acknowledges that the States have played an important role in testing various approaches to welfare reform and, in doing so, have developed much of the information on the basis of which the current legislation has been shaped. Moreover, the States have given strong impetus to welfare reform by expressing a willingness to undertake the commitment which it involves.

The Committee in turn has been very sensitive to this major State role as it developed this legislation. Clearly a major stumbling block to the ability of States to plan and implement a major new initiative is uncertainty as to the level of Federal resources that will be available from year to year. To address this problem, the Committee bill sets up the funding for the new JOBS program as an entitlement. The Committee also recognizes that States have varying capacities to provide the necessary non-Federal share of funding for the program. The bill addresses this concern by providing for funding which varies in relation to State per-capita income and by giving States the flexibility to implement this program in a manner consistent with available State resources. A major concern of many States, on both fiscal and policy grounds, has been the impact of requiring that eligibility be expanded to intact families who are needy because of unemployment. While the Committee concluded that the time has come to require all State assistance programs to meet the needs of such families, the Committee has adopted an approach which gives States the flexibility to provide that assistance in a manner designed to assure that it serves as transitional aid between periods of employment.

The Committee would like to call particular attention to the analysis by the Congressional Budget Office (printed in Part V of this report) of the fiscal impact of this bill on State governments. Despite the fact that the bill presumes and to some extent requires major new commitments on the part of the States to the task of helping families towards self-sufficiency, it does not place an onerous burden on State treasuries. The CBO analysis indicates that for over 5 years the aggregate State cost will be only \$99 million—an average of \$20 million per year. Moreover, the bill is designed in such a way that States have ample time to prepare for the new commitment required since the bill actually saves modest amounts for the States in the next two fiscal years. The cost impact occurs in fiscal years 1991 and 1992, and then in 1993 the States again show a net savings of \$69 million.

STATEMENT OF PURPOSE

(Sec. 2)

S. 1511, the Family Security Act of 1988, is a bill to restructure and reform the Nation's welfare system for families with children. The purpose of the legislation is set forth in the bill as follows:

It is the purpose of this Act to replace the original aid to families with dependent children program with new provisions for child support that (1) stress family responsibility

and community obligation in the context of the vastly changed family arrangements of the intervening half century; (2) enforce the principle that child support must in the first instance come from parents, and only thereafter from the community, which however has the deepest obligation to enable parents to fulfill their responsibilities through expanded opportunities in education and training; and (3) reflect the need for benefit improvement, program innovation, and organizational renewal at every level in the Federal system.

AFDC REPLACED BY THE CHILD SUPPORT SUPPLEMENT PROGRAM

(Sec. 3)

Present law.—The Nation's basic welfare program for families with children, authorized under title IV of the Social Security Act, is called aid to families with dependent children (AFDC).

Committee bill.—The AFDC program is renamed the child support supplement (CSS) program.

Effective date.—Upon enactment.

REORGANIZATION AND REDESIGNATION OF TITLE IV

(Sec. 4)

Committee bill.—Title IV of the Social Security Act is reorganized and redesignated to conform with the purpose of the Family Security Act to emphasize child support enforcement and job training as the primary means of avoiding long-term welfare dependence. A more detailed description of the reorganization appears below under title XI.

Effective date.—Upon enactment.

TITLE I—CHILD SUPPORT AND ESTABLISHMENT OF PATERNITY

SUBTITLE A—CHILD SUPPORT

IMMEDIATE INCOME WITHHOLDING

(Sec. 101)

Present law.—The Child Support Enforcement Amendments of 1984 (P.L. 98-378) required States to adopt procedures providing for mandatory wage withholding for families receiving services under the child support enforcement program (title IV-D of the Social Security Act) if support payments are delinquent in an amount equal to one month's support. States must also allow absent parents to request withholding at an earlier date. Withholding must be carried out in full compliance with all procedural due process requirements of the State.

Committee bill.—The Committee bill establishes new and more stringent provisions for wage withholding for families receiving services under the child support enforcement program. The bill requires States to have procedures providing for immediate mandatory wage withholding (without waiting for an arrearage) with re-

spect to orders that are issued or modified on or after the first day of the 25th month beginning after the date of enactment unless: (1) the State finds good cause, or (2) both parents agree to an alternative arrangement.

In the case of orders that are being enforced by the IV-D agency that are not subject to withholding under the above requirement, the bill requires that, beginning two years after enactment, wages of an absent parent must be subject to withholding, regardless of whether there is an arrearage, upon request of the custodial parent if the State determines (under its own procedures and standards) that it is appropriate to grant the request.

Also beginning two years after enactment, state procedures must allow State child support agencies to request immediate withholding for orders that they are enforcing on behalf of families receiving welfare, regardless of whether the parents have agreed to an alternative arrangement.

Present law requirements for mandatory wage withholding in the case of payments that are delinquent in an amount equal to one month's support will apply to orders that are not subject to immediate wage withholding. In addition, States must continue to allow absent parents to request withholding before an arrearage develops, as under present law.

Finally, the Committee bill provides for a study of the administrative feasibility, cost implications, and other effects of requiring States to adopt immediate wage withholding for all child support orders in a State, not just those that are being enforced by the State's federally-financed child support enforcement agency. The Secretary of Health and Human Services must conduct the study and report his findings to the Congress no later than three years after the date of enactment.

The Committee anticipates that the adoption by States of procedures for immediate wage withholding for cases that are being enforced by the child support enforcement agency will increase significantly the effectiveness of the child support enforcement program. According to State child support administrators, virtually all orders that are being enforced by State child support enforcement agencies involve arrearages of at least 30 days, and thus are already subject to mandatory wage withholding after one month's arrearage. However, State agencies have found that it is often a time-consuming and costly process to document the arrearage. Procedures for immediate wage withholding will eliminate the need to document an arrearage and will expedite the enforcement of child support orders.

In addition, by making the immediate wage withholding provision applicable to IV-D orders that are issued or modified in the future, the bill reduces the likelihood that delinquencies will develop.

The Committee is aware of the positive experience that has been reported with respect to the immediate wage withholding laws of Texas and Wisconsin. Both Texas and Wisconsin have recently enacted legislation calling for immediate wage withholding for all new child support orders that are issued in the State (with specified exceptions). Wisconsin also applies immediate wage withholding to old orders that are brought up for modification. The Commit-

tee recognizes the advantages that accrue when a State has procedures that are the same for all child support orders in the State, both those that are being enforced by the State child support agency and those that are being enforced under other court and administrative procedures. It encourages States to consider these advantages when they adopt the new immediate wage withholding procedures that are required under the bill.

Effective date.—The first day of the twenty-fifth month to begin two years after the date of enactment.

DISREGARD APPLICABLE TO TIMELY CHILD SUPPORT PAYMENTS

(Sec. 102)

Present law.—The first \$50 of amounts collected periodically which represent monthly support payments on behalf of a family receiving cash assistance must be paid to the family without affecting eligibility for or the amount of benefits payable to the family during the month.

Committee bill.—The Committee bill clarifies that the first \$50 received in a month which was due for a prior month must be disregarded if the payment was made by the absent parent in the month when due. This clarification will assure that if a noncustodial parent makes a timely payment of child support, the first \$50 will be passed on to the family, regardless of whether there is a delay in the processing of the payment by the agency. The Committee believes that this is essentially a clarifying amendment that reflects the original intent; however, the Committee is aware that differences of interpretation may exist. The Committee does not intend that an inference should be drawn from the enactment of this provision or its effective date as to the meaning of the law as previously in effect.

Effective date.—The first month of the first quarter beginning after the date of enactment.

STATE GUIDELINES FOR CHILD SUPPORT AWARD AMOUNTS

(Sec. 103)

Present law.—A provision enacted as part of the Child Support Enforcement Amendments of 1984 requires States to establish guidelines for setting child support award amounts in the State. The guidelines need not be binding on judges and others who determine award amounts.

Committee bill.—The bill provides that guidelines developed by States must be applied by judges and other officials in determining the amount of any child support award unless the judge or official, pursuant to criteria established by the State, makes a finding that there is good cause for not applying the guidelines. The bill also requires States to review their guidelines at least once every five years to ensure that their application results in the determination of appropriate child support award amounts.

Each State must also develop a program for periodic review, and adjustment as appropriate (in accordance with State guidelines) of child support awards that are being enforced by the IV-D agency, including families that are receiving child support supplements, as

well as families not receiving such supplements but who have applied for child support enforcement services.

With respect to review of awards for families receiving child support supplements, the bill requires States to submit a plan indicating how and when periodic review and adjustment will be performed. This plan must be submitted no later than one year after enactment.

Beginning five years after enactment, States must review (and adjust as appropriate) CSS awards every two years, unless, under regulations of the Secretary, it is determined that it would not be in the best interests of the child to do so. A review must be made every two years regardless of the State's determination relating to the best interests of the child if either parent requests review.

With respect to other (non-CSS) families, beginning one year after enactment, States must initiate proceedings at least once every two years to review and adjust the child support award at the request of either parent if it is determined, under State criteria, that the award should be reviewed and adjusted.

Beginning five years after enactment, States must provide review every two years if either parent requests it (with adjustment as appropriate). Parents must be notified of their right to biennial review.

States must have procedures to ensure that in each applicable case, each parent is notified at least 30 days prior to the commencement of a review, and that each parent is also notified of a proposed adjustment in the child support award amount, and is given at least 30 days after the notification to initiate proceedings to challenge the adjustment.

The Committee notes that Federal matching is already available to State child support enforcement agencies for the purpose of conducting reviews of child support awards. The Committee's provision establishes a new minimum level of review that a State must have. The Committee intends that Federal matching will continue to be available for reviews of awards when there is a change in the circumstances that determine the amount of the support obligation.

The Committee bill requires States to begin to develop and implement review procedures within one year after enactment, as described above. However, the States will have five years to move toward implementation of the more rigorous biennial review requirements. This delay in the effective date of these requirements is in response to concerns expressed by both State child support administrators and the courts. The Committee was told that States currently have neither the resources nor the expertise to implement biennial review of all child support orders, and that the imposition of such a requirement in the near term would seriously damage the capacity of the child support system to enforce support orders.

The approach adopted by the Committee requires States to begin developing review procedures for all IV-D cases, but gives them time to improve their capacity before the rigorous biennial review requirement must be met. In order to assist the States and to ensure effective implementation of the review requirement, the bill authorizes demonstration projects to test and evaluate model procedures for reviewing awards. Not later than April 1, 1989, the Secre-

tary of HHS must enter into an agreement with each of four States that submit applications for the purpose of conducting such demonstrations. Demonstrations may be conducted in one or more political subdivisions of a State. Federal matching for each demonstration will be 90 percent of the reasonable costs incurred by the State. Each State's demonstration must begin not later than September 30, 1989, and must be conducted for a two-year period unless the Secretary determines that the State is not conducting a project in substantial compliance with the terms of the Federal-State agreement. The Secretary must report the results of the demonstration projects to the Congress not later than six months after the completion of all projects.

Effective date.—One year after the date of enactment, except that the demonstration project authority is effective upon enactment.

NOTIFICATION OF SUPPORT COLLECTED

(Sec. 104)

Present law.—The Child Support Enforcement Amendments of 1984 included a provision requiring States to inform AFDC families once each year of the amount of support collected on their behalf by the child support enforcement agency.

Committee bill.—States are required to inform families receiving welfare of the amount of support collected on their behalf on a monthly basis, rather than annually. States may provide quarterly (rather than monthly) notice if and for so long as the Secretary determines that compliance with the monthly notification requirement would impose an unreasonable administrative burden on the State. Notice may be provided either by the welfare agency or by the child support agency. This provision is consistent with the general objective of the bill to assist parents in becoming self-supporting. If a parent who is receiving welfare knows that child support payments are being made on a regular basis, that parent will be greatly aided in making a decision to prepare for and accept employment.

Effective date.—The first day of the first calendar quarter beginning four years after enactment.

SUBTITLE B—ESTABLISHMENT OF PATERNITY

PERFORMANCE STANDARDS FOR ESTABLISHING PATERNITY

(Sec. 111)

Present law.—The Secretary must establish such standards for State programs for locating absent parents, establishing paternity, and obtaining child support as he determines necessary to assure that the programs will be effective. States that do not meet Federal performance standards are subject to fiscal penalty. If the Secretary finds that a State is not in substantial compliance with Federal requirements, the amount of the State's AFDC matching is reduced: (1) not less than one nor more than two percent in the case of the first such finding, (2) not less than two nor more than three percent in the case of the second consecutive such finding, or (3)

not less than three nor more than five percent in the case of a third or subsequent consecutive such finding. These reductions must be suspended if the State submits and implements an approved corrective action plan containing the steps necessary to achieve substantial compliance within a time period which the Secretary finds to be appropriate.

Committee bill.—The bill establishes specific new standards for measuring State performance with respect to the establishment of paternity for children who are receiving IV-D child support services. The new standards are based on a “paternity establishment percentage” which measures the extent to which paternity has been established for children born out of wedlock who receive services from the child support enforcement program. To meet the new standards, a State’s paternity establishment percentage must: (1) equal or exceed 50 percent, (2) equal or exceed the average for all States, or (3) have increased by three percentage points from fiscal years 1988 to 1991, and by three percentage points each year thereafter.

A State’s paternity establishment percentage is: the number of children in the State who are born out of wedlock, are receiving cash benefits or IV-D child support services, and for whom paternity has been established, divided by the number of children who are born out of wedlock and are receiving cash benefits or IV-D child support services. A child who is receiving benefits by reason of the death of a parent, or a child with respect to whom a mother is found to have good cause for refusing to cooperate in establishing or collecting support, is excluded from this equation.

The Secretary may modify the above requirements so as to take into account additional variables (including the percentage of out-of-wedlock births in a State). In addition, the bill makes clear that the performance standards specified in this provision are in addition to and do not supplant other requirements established in regulations by the Secretary that do not involve the measurement of State paternity establishment percentages.

The Secretary is directed to collect the data necessary to implement the requirement, and may, in carrying out the requirement of determining a State’s paternity establishment percentage for the base year (fiscal year 1988), compute the percentage on the basis of data collected with respect to the last quarter of fiscal year 1988.

Effective date.—Upon enactment. No State may be found out of compliance under this provision for any period prior to fiscal year 1992.

INCREASED FEDERAL ASSISTANCE FOR PATERNITY ESTABLISHMENT

(Sec. 112)

Present law.—The Federal matching rate for child support administrative costs, including paternity establishment, is 70 percent in fiscal year 1987, 68 percent in fiscal years 1988 and 1989, and 66 percent for fiscal year 1990 and years thereafter.

Committee bill.—States will be eligible to receive 90 percent Federal matching for the costs of laboratory testing to establish paternity. In recent years, scientific tests, including blood tests and genetic typing, have developed to the point of providing extremely ac-

curate evidence of paternity. The purpose of this provision is to encourage States to continue and expand their use of this important tool for establishing paternity.

Effective date.—Effective with respect to laboratory costs incurred on or after October 1, 1988.

SUBTITLE C—IMPROVED PROCEDURES FOR CHILD SUPPORT ENFORCEMENT AND ESTABLISHMENT OF PATERNITY

REQUIREMENT OF PROMPT STATE RESPONSE TO REQUESTS FOR CHILD SUPPORT ASSISTANCE

(Sec. 121)

Present law.—The Secretary is required to establish such standards for State programs for locating absent parents, establishing paternity, and obtaining child support as he determines to be necessary to assure that such programs will be effective.

Committee bill.—The performance standards that the Secretary is required to establish for State programs must include standards establishing time limits governing periods in which a State must accept and respond to requests (from individuals, States, or jurisdictions) for assistance in establishing and enforcing support orders, initiating requests to locate absent parents, establish paternity, and initiate proceedings to establish and collect support.

Under the Committee's provision, the Secretary must establish an advisory committee within 30 days after enactment. The committee must include representatives of organizations representing State governors, State welfare administrators, and State directors of title IV-D child support enforcement programs. The Secretary must consult with the advisory committee before issuing any regulations with respect to the required standards. A notice of proposed rulemaking must be published no later than 180 days after enactment. After allowing not less than 60 days for public comment, the Secretary must issue final regulations not later than the first day of the tenth month beginning after the date of enactment.

AUTOMATED TRACKING AND MONITORING SYSTEMS MADE MANDATORY

(Sec. 122)

Present law.—Ninety percent Federal matching is available on an open-ended entitlement basis to States that elect to establish a statewide automated data processing and information retrieval system. Funds may be used to plan, design, develop and install, or enhance the system, and may be used to pay for the acquisition of computer hardware. The Secretary must approve the system as meeting specified conditions before matching is available. Currently, 33 States are involved in some phase of development of qualifying systems. Other States may receive the regular matching rate (68 percent in fiscal year 1988) for automated systems that are not statewide or do not otherwise meet the Federal requirement for 90 percent matching.

Committee bill.—Each State must have an approved statewide system that meets Federal requirements for 90 percent matching by not later than a date specified in the State's advance planning

document (which must be within 10 years after the date the document is submitted to the Secretary). The advance planning document must be submitted to the Secretary by October 1, 1990. The Secretary may waive the above requirements if a State demonstrates that it has an alternative system or systems that enable the State to be in substantial compliance with Federal child support requirements.

Effective date.—Upon enactment.

ADDITIONAL INFORMATION SOURCE OF PARENT LOCATOR SERVICE

(Sec. 123)

Present law.—The statute requires the Secretary of HHS to establish and operate a Federal Parent Locator Service (PLS) to be used to find absent parents in order to enforce child support obligations. Upon request, the Secretary must provide to an authorized person the most recent address and place of employment of any absent parent if the information is contained in the records of the Department of Health and Human Services, or can be obtained from any other department or agency of the United States or of any State.

Committee bill.—The Committee bill requires the Secretary of Labor and the Secretary of HHS to enter into an agreement which would give the Federal Parent Locator Service prompt access to wage and unemployment claims information which may be useful in locating an absent parent or his employer. States would be required, as a condition of receiving grants for the administration of unemployment compensation, to cooperate in making this information available. The State unemployment compensation records provide an important source of timely information as to the whereabouts and employment of absent parents. States routinely exchange information with each other for unemployment purposes through an arrangement sometimes referred to as "INTERNET." The Committee bill gives the Federal PLS access to this information either through the INTERNET arrangement or through other procedures that may be agreed on between the Secretary of Labor and the Secretary of HHS. These agreements will also address the issue of appropriate reimbursement to the State unemployment programs for any costs involved in obtaining this information.

Effective date.—The Secretaries of Labor and HHS are to enter into an agreement no later than 90 days after enactment.

USE OF SOCIAL SECURITY NUMBER TO ESTABLISH IDENTITY OF PARENTS

(Sec. 124)

Present law.—There is no requirement that parents furnish their social security numbers upon the birth of a child.

Committee bill.—In the administration of any law involving the issuance of a birth certificate, a State must require each parent to furnish his or her social security number, unless the State (in accordance with regulations by the Secretary of HHS) finds good cause for not requiring the furnishing of the number. The State must make the numbers available to child support enforcement

agencies in accordance with Federal or State law. Numbers need not be recorded on the birth certificate.

The social security number is a major tool in tracing absent parents and enforcing the collection of child support. This provision will establish as a norm the furnishing of the parents' social security numbers at the time of birth. While States will be required to make these numbers available for child support enforcement purposes, they will not otherwise be required by this legislation to provide public access to the numbers. Existing State and Federal laws relating to the protection of privacy will not be superseded except to the extent that they are directly inconsistent with this provision.

Effective date.—The first day of the twenty-fifth month beginning after the date of enactment.

COMMISSION ON INTERSTATE CHILD SUPPORT

(Sec. 125)

Committee bill.—The bill establishes a Commission on Interstate Child Support which is required to hold one or more national conferences on interstate child support reform and, not later than October 1, 1990, to submit a report to the Congress with recommendations for improving the interstate child support system, and revising the Uniform Reciprocal Enforcement of Support Act.

The Commission will be composed of 15 members: four appointed jointly by the Majority and Minority Leaders of the Senate in consultation with the chairman and ranking minority member of the Committee on Finance; four appointed jointly by the Speaker of the House and the Minority Leader of the House in consultation with the chairman and ranking minority member of the Committee on Ways and Means; and seven appointed by the Secretary of HHS. The bill authorizes \$2 million to cover the costs of the Commission.

The Committee continues to be concerned that the incentives and procedures for interstate support enforcement appear inadequate to assure an effective program. The Committee recognizes that some progress in this area is now being made. However, the Committee believes that a commission could synthesize current knowledge and provide necessary guidance for carrying forward with this high priority task. The bill specifically charges the commission with recommending revisions with respect to the Uniform Reciprocal Enforcement of Support Act. This significant model law was last revised prior to the 1975 enactment of the child support enforcement program. While alternative tools now exist, it remains an important element in interstate enforcement activities. The Committee believes it could be a much more effective tool if it were brought up to date in the light of the 1975, 1984, and 1988 child support amendments. Although the commission will not supplant the regular body charged with URESA revision, it will be expected to facilitate and promote the work of that body in revising that statute.

TITLE II—JOB OPPORTUNITIES AND BASIC SKILLS TRAINING PROGRAM

ESTABLISHMENT OF PROGRAM

(Sec. 201—Sec. 204)

A. REQUIREMENT FOR STATE PARTICIPATION

Present law.—Amendments to the Social Security Act in 1968 required all States to have a Work Incentive (WIN) program to provide employment and training services to AFDC applicants and recipients. Amendments in 1981 gave States the option of operating a WIN demonstration program as an alternative to the regular WIN program, and also authorized States to establish community work experience (CWEP) and work supplementation programs. Amendments in 1982 allowed States to establish job search programs independent of the WIN program.

Current WIN legislation requires the Secretary of Labor to establish programs in each State and in each political subdivision of a State in which he determines there is a significant number of AFDC recipients age 16 or above. WIN demonstration, CWEP, and work supplementation programs do not have to be statewide. However, regulations require States that operate a job search program to do so on a statewide basis.

Committee bill.—The Committee bill repeals the WIN (and WIN demonstration) program, and replaces it with a new Job Opportunities and Basic Skills Training (JOBS) program designed to help applicants and recipients of cash assistance avoid long-term welfare dependence through education, employment, and training services. (The work supplementation, community work experience, and job search programs are incorporated into the JOBS program.) Each State is required to establish a program under a plan that has been approved by the Secretary. Not later than three years after enactment, the State must make the program available in each political subdivision of the State, unless the State demonstrates to the satisfaction of the Secretary that it is not feasible to do so because of the needs and circumstances of local economies, the number of prospective participants, and other relevant factors.

It is the expectation of the Committee that States will make a serious and determined effort to implement their programs throughout all their local jurisdictions to the maximum extent possible, so that all eligible families will have an opportunity to benefit from the new services that are authorized under this legislation. This does not mean, however, that programs must be operated uniformly in all parts of a State. Governors have expressed the need to be able to design their programs to take account of local conditions. The Committee recognizes the desirability of having programs that respond to varying circumstances, such as changes in the unemployment rate, and that reflect different needs, such as may exist in rural and urban areas. The Committee intends that States will have the flexibility to design their programs to accommodate such differences.

B. PROGRAM ACTIVITIES

Present law.—Under both the WIN and WIN demonstration programs States may offer a variety of education, employment, and training activities. In addition, States may have community work experience (CWEP), work supplementation (sometimes called grant diversion), and job search programs.

Committee bill.—Under JOBS, States are authorized to provide a broad range of services and activities, which must include basic education and skills training, and may include: (1) high school or equivalent education (combined with training when appropriate); (2) remedial education to achieve a basic literacy level; (3) English as a second language; (4) post-secondary education (as appropriate); (5) on-the-job training; (6) work supplementation programs; (7) community work experience programs; (8) group and individual job search; (9) job readiness; (10) job development, job placement, and follow-up services, as needed, to assist participants in securing and retaining employment and advancement; and (11) other employment, education, and training activities as determined by the State and allowed under regulations by the Secretary.

The Committee bill authorizes a wide variety of activities to enable States to design programs that best suit their respective needs and the needs of their recipients. The Committee notes that there are as yet no research findings showing that there is any single program model that merits national replication. However, the bill takes account of the fact that at least half of all AFDC recipients lack a high school education, and therefore need basic education or skills training in order to compete for a job in the regular labor market, by requiring States to include these services among the components that they provide.

C. REQUIREMENT FOR PARTICIPATION

Present law.—Under the WIN and WIN demonstration programs States must require non-exempt applicants and recipients of assistance to register for services and to participate in activities to which they are assigned. The statute specifies the situations under which an individual may be considered to be exempt from this requirement. Generally, able-bodied adults and older children not in school may be required to participate. A parent or other relative of a child under age 6 who is personally providing care for the child with only very brief and infrequent absences is exempt from the requirement.

Committee bill.—To the extent that the JOBS program is available in a political subdivision and State resources otherwise permit, a State must require every recipient of child support supplements who is not exempt, and with respect to whom the State guarantees necessary child care, to participate in the program. The rules for exempting individuals from participation in the JOBS program are substantially the same as in present law, except that the bill exempts applicants (who have not yet been found eligible for benefits) from being required to participate in most program components (other than job search), and it changes the rules relating to the participation of mothers with young children.

Specifically, the bill provides that to be exempt from participation an individual must be: (1) ill, incapacitated, or of advanced age; (2) needed in the home because of the illness of another member of the household; (3) the parent or other relative of a child under age 3 (or, at the option of the State, any age that is less than 3 but not less than 1), who is personally providing care for the child with only very brief and infrequent absences; (4) employed 30 or more hours a week; (5) a child under age 16 or attending, full-time, an elementary, secondary, or vocational school; (6) a woman in the last trimester of pregnancy; or (7) a resident of an area where the program is not available. The exemption under item (3) is limited to one parent in a family eligible by reason of the unemployment of the principal earner. A State may make the exemption inapplicable to both parents and require both to participate if child care is guaranteed.

Participation may be required no more than 24 hours a week if the individual is (1) the parent caring for a child under age 6, and (2) not the principal earner in a two-parent family eligible on the basis of unemployment. However, States may encourage these individuals to participate more than 24 hours a week.

In addition, the bill provides that (to the extent that the JOBS program is available in a political subdivision and State resources otherwise permit) States must require a custodial parent under age 22 who has not completed high school (or its equivalent) to participate in high school or equivalent education, or, where appropriate in remedial education or English as a second language. This requirement applies regardless of the age of the child. States may require attendance in education activities on a full time basis even though this exceeds 24 hours per week. The bill allows States to require these young parents to participate in training or work activities (in lieu of education activities) if they fail to make good progress in completing educational activities or if it is determined, pursuant to an educational assessment, that participation in education activities is inappropriate. Participation in these latter activities may be required no more than 24 hours a week.

If an individual is already attending a school or a course of vocational or technical training designed to lead to employment at the time the individual would otherwise be required to begin participation in the JOBS program, such attendance may, at the option of the State, constitute satisfactory participation in JOBS so long as the individual continues to participate in good standing. The costs of such programs are not Federally reimbursable. However, Federal reimbursement is available for the cost of such child care as the State determines to be necessary to enable the individual to attend such school or course of training.

A State must allow applicants and recipients who are exempt from mandatory participation to participate on a voluntary basis. Parents in a family which would otherwise be eligible for cash assistance on the basis of the unemployment of a principal earner but for the fact that the State has chosen to provide such cash assistance on a time-limited basis (as provided in section 402 of the bill) must also be allowed to volunteer for JOBS services.

In addition, a State may require applicants for cash assistance to participate in job search activities.

Finally, in order to further enhance the capacity of States to collect child support and to promote the economic well-being of children, the bill provides that States may require or allow absent parents who are unemployed and unable to meet their child support obligations to participate in the JOBS program. The Committee is aware that at least two States have expressed interest in implementing a program of employment services for absent parents who are not able to meet their child support obligations as a way of encouraging and requiring them to do so. The Committee urges the Secretary, as well as the individual States that choose to implement this provision, to provide for evaluation in order to determine its effectiveness, and to inform the Committee of any evaluation results.

D. PRIORITY/TARGET POPULATION

Present law.—Under the WIN program, priority must be accorded to individuals in the following order, taking into account employability potential: (1) unemployed parents who are principal earners; (2) mothers, whether or not required to register, who volunteer for participation; (3) other mothers, and pregnant women, registered for WIN, who are under age 19; (4) dependent children and relatives age 16 and above who are not in school or engaged in work or training; and (5) all other individuals.

Committee bill.—The bill encourages States to serve individuals who are or who are likely to become long-term recipients by providing for a reduction in Federal matching for the JOBS program if a State fails to spend at least 50 percent of Federal and State funds on specific target groups. (The State would be entitled to 50 percent Federal matching rather than the higher rates that would otherwise be applicable. See item F. Financing.)

The target groups are defined as follows: (1) recipients who have received assistance for any 30 of the preceding 60 months; (2) applicants who have received assistance for any 30 of the 60 months immediately preceding application; and (3) custodial parents under age 24 who have little or no work experience in the previous year, or who have not completed high school and are not enrolled in high school or an equivalent course.

The Committee is aware that these target groups may need to be modified to take account of experience of the States and to reflect future research findings. Accordingly, the bill requires the Secretary to recommend to Congress every two years modifications or additions to the above target groups as may be appropriate to meet the goal of assisting long-term or potentially long-term recipients to achieve self-sufficiency, and to take account of the particular characteristics of the recipient populations of individual States.

Finally, the bill provides that within the target groups, States must give first consideration for participation in JOBS activities to individuals who volunteer for such activities.

E. PROGRAM ADMINISTRATION

Present law.—Under the WIN legislation the Department of Labor and the Department of Health and Human Services share joint responsibility for the administration of that program. Togeth-

er, representatives of these two Departments make up the WIN National Coordination Committee which is vested with responsibility for national administration. At the State level, the responsibility for administration of WIN is shared by the State employment security agency and the welfare agency. The employment security agency is responsible for the provision of employment services, and the welfare agency is responsible for the provision of necessary supportive services. At the local level, units providing supportive services and units providing employment services are required to be co-located to the maximum extent feasible. WIN agencies may make grants to, or enter into agreements with, public or private organizations to carry out program functions.

The Secretary of Labor is directed to use all authority available under all Acts to provide services for WIN participants, and to assure, when appropriate, that WIN registrants are referred for services under the Job Training Partnership Act (JTPA). The Governor must coordinate WIN activities with activities provided under JTPA.

Legislation in 1981 and 1982 authorized the WIN demonstration, community work experience, work supplementation, and job search programs and designated the Department of Health and Human Services as the agency responsible for administration of these programs at the Federal level. Responsibility for administration at the State level was given to State welfare agencies. The welfare agencies generally may make arrangements with other agencies to provide services.

Committee bill.—The WIN program has been criticized since its inception for the cumbersome and diffuse nature of its administrative structure. Responding to this criticism, the Congress enacted legislation in 1981 allowing States to operate a WIN demonstration program as an alternative to WIN “for the purpose of demonstrating single agency administration of the work-related objectives” of the AFDC program. The legislation designated the welfare agency as the agency responsible for administration of the WIN demonstration program. At the same time, the Congress authorized States to establish work supplementation and community work experience programs, giving administrative responsibility for these programs to the State welfare agency. A year later, in 1982, the Congress authorized States to operate job search programs, also under the administrative responsibility of the State welfare agency.

The new legislation gave State welfare agencies the flexibility to reorient their programs, and to begin to emphasize services aimed at helping recipients move into productive employment. Evaluations of a significant number of these programs have shown that they have been successful in increasing the earnings and employment levels of recipients, and that they can be cost effective from the standpoint of the Federal and State governments.

In their February 24, 1987 policy statement on welfare reform, the Nation's Governors stated:

The Governors' aim in proposing a welfare reform plan is to turn what is now primarily a payments system with a minor work component into a system that is first and fore-

most a jobs system, backed up by an income assistance component.

The Committee's bill creates the administrative underpinning for the policy aim of the Governors by placing primary responsibility for the new JOBS program with the State welfare agency. Although welfare agencies will retain responsibility for the essential task of providing cash assistance to those who are in need, they will be expected to place new emphasis on the goal of helping recipients become self-sufficient. To reinforce the importance of this expanded responsibility, the bill gives the State welfare agency explicit responsibility for assuring that JOBS and child support enforcement services and cash assistance are provided in a coordinated and integrated manner.

Under the Committee's bill, State welfare agencies must assure, to the maximum extent possible, and consistent with other provisions in title IV of the Social Security Act, that all parents who apply for or receive cash assistance are encouraged, assisted, and required to fulfill their responsibilities to support their children by preparing for, seeking, accepting, and retaining employment which they are able to perform, and by cooperating in the enforcement of child support obligations.

Welfare agencies are also directed to inform each applicant and recipient of (1) the education, employment, and training services (including supportive services) for which they are eligible; (2) the paternity establishment and child support services for which they are eligible; and (3) the requirements that must be met in order to be eligible for such services.

The bill requires each State to submit a plan setting forth and describing the State's JOBS program. The State must periodically review and update its plan and submit the updated plan to the Secretary for his approval.

Although the Committee's bill gives the welfare agency the responsibility for administering and supervising the administration of the JOBS program, the Committee does not intend that the welfare agency itself will actually provide all services. On the contrary, the Committee is aware of the broad array of services that are or could be made available to welfare recipients under existing Federal and State and local programs. In order to make maximum use of such programs, the bill requires the Governor of each State to assure that program activities authorized under this bill are coordinated with programs operated under the Job Training Partnership Act and with any other relevant employment, training, and education programs available in the State.

In addition, the welfare agencies are directed to consult with education agencies and the agencies responsible for administering job training programs in order to promote the planning and delivery of services under the program with programs under the Job Training Partnership Act and with education programs, including any program under the Adult Education Act or Carl D. Perkins Vocational Education Act.

The bill includes specific authority allowing welfare agencies to enter into contracts or other arrangements with public and private

agencies and organizations for the provision or conduct of any services or activities made available under the program.

At the Federal level, the Secretary of Health and Human Services is directed to assure maximum coordination of education and training in the development and implementation of the JOBS program, by consulting on a continuing basis with the Secretary of Education and the Secretary of Labor.

These provisions emphasize the Committee's intent that the JOBS program should be administered in such a way that all appropriate expertise and resources are made available in order to provide the wide variety of education, employment, training, and supportive services that are needed to assist individual welfare recipients in achieving self-sufficiency.

The bill requires that each State's program must include private sector involvement in planning and program design to assure that participants are prepared for jobs that will actually be available in the community. In particular, the Committee is aware of the very positive benefits that a number of States have experienced as a result of actively involving Private Industry Councils (PICs, authorized under the Job Training Partnership Act) in planning and developing education and training programs for welfare recipients at both the State and local levels. The Committee urges Governors to ensure that the resources and expertise of the Private Industry Councils in their States and communities are used to the maximum extent possible during the JOBS planning process and in arranging for the delivery of services.

F. FINANCING

Present law.—Rules for funding the employment-related activities that are provided for applicants and recipients of AFDC vary from program to program. Both the WIN and WIN demonstration programs are subject to annual appropriation. (Funding for WIN supportive services is written in the statute as an open-ended entitlement, but has never been treated as such by the appropriations committees or the administration.) Ninety percent Federal matching is available for all allowable State expenditures, including both services and administration. The State share may be in cash or kind.

Funding for the WIN (and WIN demonstration) program has been erratic over the years, and in recent years has been cut back severely. Since 1981, WIN appropriations have been as follows: fiscal year 1981: \$365 million, 1982: \$281 million, 1983: \$271 million, 1984: \$267 million, 1985: \$264 million, 1986: \$211 million, 1987: \$137 million, and 1988: \$93 million.

Fifty percent of WIN funds are allocated to the States on the basis of the number of WIN registrants, and 50 percent on the basis of performance criteria established by the Secretary (these emphasize job placement). The statute authorizing WIN demonstration programs requires that a WIN demonstration State's allocation must be in an amount equal to its initial 1981 WIN allocation. As WIN appropriations have been reduced, the Administration has reduced State allocations accordingly, distributing funds on the basis of the State's share of the 1981 appropriation.

Fifty percent Federal matching is available on an open-ended entitlement basis under the CWEP and job search programs. Funds may be used to pay the costs of all allowable program activities. According to the Administration, Federal matching for these programs was about \$50 million in fiscal year 1987.

Committee bill.—The Committee bill provides Federal funding for the new JOBS program in the form of a capped entitlement limited to \$500 million in 1989, \$650 million in 1990, \$800 million in 1991, and \$1 billion in 1992 and years thereafter. Federal matching is 90 percent with respect to amounts allocated to the State that do not exceed the 1987 WIN allocation; for additional amounts, the Federal match is at the Medicaid matching rate, with a minimum Federal matching rate of 60 percent, including matching for the cost of staff who work full time on JOBS activities. Other administrative costs (including evaluation) are matched at a 50 percent rate. State matching for amounts above the 1987 WIN allocation must be in cash. (If a State does not spend at least half its JOBS funding on the target groups described above, the JOBS matching rate is reduced to 50 percent for all activities.)

Each State will receive an amount equal to its WIN allotment for fiscal year 1987 (\$126 million for all States). Additional funds up to the cap will be allocated on the basis of the State's relative number of adult recipients of cash assistance.

By providing funding for the new program in the form of a capped entitlement, the bill assures the States of a stable and sustainable level of funding. The WIN program has suffered in the past because of uncertain and erratic appropriations, and the Committee believes that it is important that any new program not suffer the same deficiency. A capped entitlement represents a clear commitment on the part of the Federal government to follow through with funding for the new employment program, and gives the States assurance that if they commit significant resources of their own, their programs will not be undercut by a decrease in Federal appropriations.

The initial level of funding for the program—\$500 million in the first year—is relatively modest in real terms compared with the WIN funding level of \$365 million annually in the late 1970's and early 1980's. However, it represents a major increase over the current level of Federal funding for employment-related programs for welfare recipients, and the amount is increased annually so that by 1992 it reaches \$1 billion, the amount cited by the Governors as needed to fund State education and training programs for welfare recipients.

The Committee believes that by providing a capped entitlement with a specific allocation of Federal dollars for each State, State legislatures will be encouraged to draw down their State's share. The result should be a more uniform program nationwide, with education and training services being made available to welfare recipients in all regions of the country. The likelihood of this occurring is enhanced by the provision in the bill that gives a more favorable matching rate to States with low per capita income.

A capped entitlement also avoids the prospect of runaway costs to the Federal government. The Committee is aware of concerns that open-ended entitlement funding could result in costs that far

exceed the levels that are currently estimated. The experience of the title XX social services program has been cited as an example. The provisions of law which were ultimately consolidated in title XX originally authorized Federal funding on an open-ended entitlement basis. However, in the early 1970's a number of States began aggressively to draw down Federal matching funds at an unanticipated rate, with projections of Federal spending showing a more than six-fold growth from 1971 to 1973. Faced with this projection, the Congress enacted a limitation on Federal funding, making title XX into a capped entitlement program.

The bill provides that Federal funds made available to a State for the JOBS program shall not be used to supplant non-Federal funds for existing services and activities. The bill also includes a maintenance of effort provision, specifying that State and local funds expended for such purposes as are authorized under the bill must be maintained at least at the level of such expenditures for fiscal year 1987.

Finally, the Committee notes that a number of States are currently operating education, employment, and training programs under waiver by the Secretary of Health and Human Services. The Committee does not intend that the enactment of this Act will have the effect of impairing the ability of States that continue to operate programs under waiver authority to claim Federal financial participation for the costs of their approved programs under this new legislation.

G. ASSESSMENT/EMPLOYABILITY PLAN

Present law.—WIN program regulations require an appraisal interview to determine employability potential and the need for supportive services. When necessary supportive services have been provided, an individual may be certified as ready for participation in WIN. Other programs authorized under present law have no similar requirements.

WIN rules also require States to develop an employability plan for each individual that contains a manpower services plan and a supportive services plan, and is designed to lead to employment and ultimately to self-support. It must contain a definite employment goal, attainable in the shortest time period consistent with the supportive services needs, project resources, and job market opportunities. Final approval of the employability plan rests with the WIN agency. Other programs authorized under present law have no similar requirement.

Committee bill.—The State welfare agency is required to provide (1) an initial assessment of the education and employment skills of each participant, and (2) a review of each participant's family circumstances. The Committee notes that assessment of learning disabilities may be part of a State's assessment procedures.

In addition, the bill allows, but does not require, the State agency to develop an employability plan for each participant. The bill provides that, to the maximum extent possible, the plan should reflect the preferences of the participant.

In making an assessment and developing an employability plan for a participant who is age 22 or over and has not graduated from

high school, the agency is directed to place emphasis on meeting the educational needs of the participant. However, discretion is left to the agency to determine the JOBS assignment, based on available resources, the participant's individual circumstances, and local employment opportunities.

H. CLIENT/AGENCY CONTRACT

Present law.—There is no provision in present law relating to the use of client-agency contracts. However, under the WIN demonstration program, States have broad discretion to design their own programs, and at least one State (California) has adopted use of client-agency contracts on a Statewide basis.

Committee bill.—The State agency may require each participant to negotiate and enter into a contract with the agency that specifies such matters as the participant's obligations, the duration of participation in the program, and the activities that will be conducted and the services that will be provided. Individuals must be assisted in reviewing and understanding the contract.

I. CASE MANAGEMENT SERVICES

Present law.—There is currently no specific authority relating to the provision of case management under any of the authorized employment and training programs. However, WIN administrative units may not certify an individual for participation in WIN until necessary supportive services, including child care, family planning, counseling, medical, and other services have been provided.

Committee bill.—The State agency may require the assignment of a case manager to each participant and the participant's family. The case manager must be responsible for assisting the family to obtain any services that may be needed to assure effective participation in the program.

J. PROGRAM SANCTIONS

(1) General Description

Present law.—Under the WIN program, sanctions must be applied to an individual who is required to participate if the individual (1) refuses without good cause to participate in activities to which he is assigned, or (2) refuses without good cause to accept employment in which he is able to engage which is offered through the public employment offices of the State, or is offered by an employer if the offer is determined to be a bona fide offer of employment.

If a parent or other relative of a child refuses to participate, the relative's needs may not be taken into account in determining the family's benefits, and aid must be paid to a third party in the form of protective payments unless the agency, after making reasonable efforts, is unable to arrange such payments. If the principal earner in a two-parent family eligible on the basis of unemployment refuses, aid is denied to the entire family. If an only child who is required to participate refuses to do so, aid is denied to the child and the parent. If there is more than one child, the needs of the child who refuses are not taken into account.

The sanctions that are applicable with respect to participation in WIN are also generally applicable to participation in other employment-related programs authorized under title IV-A of the Social Security Act.

Committee bill.—Sanctions for failure to participate in the new JOBS program are generally the same as under current law. Specifically, the bill provides that sanctions must be applied to an individual who is not exempt from participation if the individual (1) fails without good cause to participate in the JOBS program, or (2) refuses without good cause to accept any bona fide offer of employment in which the individual is able to engage which is offered through the public employment offices of the State, or is offered by an employer if the offer of the employer is determined to be a bona fide offer of employment. The bill specifies that lack of necessary child care constitutes good cause for refusal to participate in JOBS or to accept employment. The bill includes the same provisions that are in present law (as described above) with respect to the nature of the sanctions.

(2) Length of Sanction

Present law.—Under the WIN, WIN demonstration, and CWEP programs, regulations prescribe the time periods during which sanctions must be applied. Regulations provide: (1) in the case of the first failure to comply, the sanction period is three months; and (2) in the case of second and subsequent failures, the sanction period is six months. WIN rules also provide that if a volunteer refuses to participate without good cause, the individual is deregistered from WIN for three or six months, depending on whether it is the first or a subsequent refusal.

Committee bill.—Sanction periods for failure to comply with the JOBS participation and employment requirements (described above) are as follows: (1) in the case of the first failure to comply, until the failure to comply ceases; (2) in the case of the second failure to comply, until the failure to comply ceases or three months, whichever is longer; and (3) in the case of any subsequent failure to comply, until the failure to comply ceases or six months, whichever is longer.

K. CONCILIATION/FAIR HEARING

Present law.—WIN regulations provide for a WIN adjudication system that requires efforts toward conciliatory resolution of disputes before notifying an individual of any disciplinary action, and for a hearing on WIN issues. With respect to other employment-related programs authorized under title IV-A of the Social Security Act, States have discretion over whether to establish a conciliation procedure to resolve disputes.

Under a Supreme Court decision (*Goldberg v. Kelly*—1970) and AFDC regulations all States must provide opportunity for a State agency hearing, or an evidentiary hearing at the local level with a right of appeal to a State hearing in all cases of intended action to discontinue, terminate, suspend, or reduce assistance. Agencies must provide timely and adequate notice, and assistance must not

be reduced or terminated if the recipient requests a hearing within 10 days of mailing of the notice.

Committee bill.—The bill requires States to establish conciliation procedures for the resolution of disputes related to an individual's participation in the JOBS program, and to have a hearing procedure to resolve any disputes not resolved during the conciliation process. A State may have a hearing process especially designed for the purpose of hearing all or some disputes related to the JOBS program, or it may use the regular AFDC hearing process.

In any event, specific language is included to make clear that assistance may not be suspended, reduced, discontinued, or terminated until an individual is provided an opportunity for a fair hearing that meets the due process standards set forth by the U.S. Supreme Court in *Goldberg v. Kelly*—1970.

L. CHILD CARE

Present law.—Under the WIN program State agencies must provide child care necessary to enable individuals to accept employment or receive training. When more than one kind of child care is available, the mother may choose the type, but she may not refuse to accept child care services if they are available. The agencies may provide care through arrangements with others or otherwise.

Federal funding for WIN program child care is included in the general WIN appropriation. Matching is at the regular 90 percent WIN rate, with no Federal limit on the amount that may be paid for child care provided by a State with respect to an eligible child.

Regulations require that child care provided by WIN must meet applicable standards of State and local law (as in title XX of the Social Security Act).

Federal funding for child care provided under the community work experience, work supplementation, and job search programs is on an open-ended entitlement basis, with 50 percent Federal matching available to the States for allowable expenditures.

Committee bill.—A State agency must guarantee child care for each child requiring care to the extent that such care is determined by the State agency to be necessary for an individual's participation in work, education, and training activities under the program. (Child care is defined to include day care for an incapacitated individual.) States may provide care directly; arrange for the provision of care by contracts or vouchers; provide cash or vouchers to the family in advance; reimburse the caretaker relative in the family; or, use any other arrangements the State may select.

Federal matching for child care is provided on an openended entitlement basis at the Medicaid matching rate (varying from 50 percent to 80 percent, depending on State per capita income). Federal funding is available for expenditures for child care up to amounts established by the State but not in excess of local market rates. (The child care disregard is unchanged.) Federal funds may not be used for construction or rehabilitation of facilities.

As under present law, child care must meet applicable standards of State and local law.

The value of child care authorized under this provision may not be treated as income for purposes of any other Federal or federally-

supported program that bases eligibility for or the amount of benefits upon need, and may not be claimed as an employment-related expense for purposes of the dependent care credit under section 21 of the Internal Revenue Code of 1986.

M. TRANSPORTATION/WORK-RELATED EXPENSES

Present law.—Under the WIN program State agencies are authorized to provide for necessary transportation and other services related to participation. Individuals assigned to activities must receive allowances to cover necessary expenses if services are not provided by the agency. Funding for transportation and other work-related expenses is provided as part of the regular WIN appropriation. Federal matching is 90 percent.

Federal funding is also available on an open-ended entitlement basis for costs of transportation necessary for participation under the CWEP, work supplementation, and job search programs. Federal matching is 50 percent.

Committee bill.—State agencies must provide payment or reimbursement for transportation and other work-related supportive services determined by the State to be necessary for an individual's participation in the JOBS program. Federal funding is available at a 50 percent matching rate, subject to the JOBS entitlement cap.

N. COMMUNITY WORK EXPERIENCE PROGRAM (CWEP)

Present law.—Legislation enacted in 1981 allows States to operate community work experience (CWEP) programs in which nonexempt recipients may be required to participate. The statute states that the purpose of community work experience programs is to provide experience and training for individuals not otherwise able to obtain employment, in order to assist them in moving into regular employment. Programs must be designed to improve the employability of participants through actual work experience and training and to enable individuals employed under community work experience programs to move promptly into regular public or private employment.

Programs are limited to projects which serve a useful public purpose in fields such as health, social service, environmental protection, education, urban and rural development and redevelopment, welfare, recreation, public facilities, public safety, and day care. To the extent possible, the prior training, experience, and skills of a recipient must be utilized in making appropriate work experience assignments.

The maximum number of hours in any month that members of a family may be required to work is the number which equals the amount of aid payable with respect to the family divided by the greater of the Federal or the applicable State minimum wage.

The Governor of the State is required to provide coordination between a community work experience program and other programs authorized under the Social Security Act to insure that job placement will have priority over participation in the community work experience program.

Committee bill.—States are allowed to operate community work experience programs as part of their JOBS programs. Generally,

the requirements of present law that govern the operation of CWEP programs are retained. However, the Committee bill modifies the provision limiting the number of hours that participants may be required to participate in CWEP by specifying that the portion of a recipient's benefit for which a State is reimbursed by a child support payment may not be taken into account in determining the number of hours that an individual may be required to work.

O. JOB SEARCH

Present law.—Legislation enacted in 1982 allows States to operate job search programs in which individuals claiming aid (both applicants and recipients) who are not exempt from work requirements may be required to participate. By regulation, activities may include group jobseeking, job development, exposure to labor market information, work orientation, and referral. No individual may be required to participate more than eight weeks in any 12-month period (except in the first year participation may total 16 weeks).

Committee bill.—Under the JOBS program, States will have the same general authority to operate job search programs as exists in present law. However, the Committee bill specifies that no individual may be required to participate in job search longer than three weeks before having an employability assessment by the State.

P. PROGRAM STANDARDS

Present law.—The statute specifies that State community work experience programs must provide: (1) appropriate standards for health, safety, and other conditions applicable to the performance of work; (2) that the program does not result in displacement of persons currently employed, or the filling of established unfilled position vacancies; (3) reasonable conditions of work, taking into account the geographic region, the residence of the participants, and the proficiency of the participants; and (4) that participants will not be required, without their consent, to travel an unreasonable distance from their homes or remain away from their homes overnight. In addition, State agencies operating CWEP programs may provide appropriate workers' compensation or other comparable protection for CWEP participants.

Committee bill.—In assigning participants to any JOBS program activity (including education, training, and work activities) the State agency must assure that (1) the assignment takes into account the physical capacity, skills, experience, health and safety, family responsibilities, and place of residence of the participant; and (2) the participant will not be required, without his or her consent, to travel an unreasonable distance from home or remain away from home overnight.

In addition, the bill provides that wage rates for jobs to which participants are assigned shall be not less than the greater of the Federal minimum wage or applicable State minimum wage. Appropriate workers' compensation and tort claims protection must be provided to all participants on the same basis as such compensation and protection are provided to individuals in similar employ-

ment in the State, as determined under regulations issued by the Secretary.

The bill also includes language to prevent the displacement of regular employees by individuals who are participating in work assignments, including CWEP or work supplementation programs. In assigning participants to these activities the State agency must assure that the work assignment does not result in the displacement of any currently employed worker or position (including partial displacement such as reduction in hours of nonovertime work, wages, or employment benefits), or the filling of established unfilled position vacancies. The bill also specifies that no work assignment may result in any infringement of the promotional opportunities of any currently employed individual, or the impairment of existing contracts for services or collective bargaining agreements. Finally, no participant may be assigned to fill a job opening when any individual is on layoff from the same or any substantially equivalent job; and no participant may be assigned to fill a job opening when the employer has terminated the employment of any regular employee or has otherwise reduced its work force (this would not apply when there is good cause, such as termination due to disciplinary reasons).

States must establish a grievance procedure to resolve complaints by regular employees or their representatives that the provisions relating to displacement of regular employees have been violated. A decision made at the State level may be appealed to the Secretary of Labor for investigation and such action as he may find necessary. The Secretary of HHS and the Secretary of Labor must jointly issue regulations setting forth the procedures that must be followed in carrying out the grievance procedure requirements.

Q. WAGES

Present law.—The WIN statute has no provision specifying whether a participant must accept a job at any particular wage rate. However, regulations provide that when an income disregard is available, the wage must meet or exceed the Federal or State minimum wage law. When, as a result of becoming employed, no disregard is available, the wage, less mandatory payroll deductions and a reasonable allowance for necessary employment-related expenses, must provide an income equal to or exceeding the family's AFDC cash benefits. There is no similar requirement under the WIN demonstration or job search programs.

Committee bill.—A State agency may not require a participant in the program to accept a job under the program if the family of the recipient would experience a net loss of income (including the value of any food stamp benefits and the insurance value of any health benefits). The bill also provides, however, that a State may require a participant to accept a job if the State makes a supplementary payment in an amount that is sufficient to maintain the income of the family at a level no less than what would be the level of income in the absence of earnings from the job.

R. OPERATION OF JOBS PROGRAMS BY INDIAN TRIBES

Present law.—The Secretary of Labor is authorized under the WIN statute to make grants to, or enter into agreements with, Indian tribes with respect to Indians on a reservation. This authority has not been exercised.

Committee bill.—The bill allows Indian tribes to apply directly to the Secretary of Health and Human Services to establish and administer their own JOBS programs. An application to conduct a program must be submitted within six months after the date of enactment, and must be approved by the Secretary. In the case of a State that includes one or more Indian tribes that apply to conduct their own programs, the funding available to that State will be reduced under a formula that takes into account the ratio of the number of adults who are receiving child support supplements and are members of the Indian tribe (or tribes) in the State to the number of all adults in the State who are receiving child support supplements. These funds will be paid directly (without any requirement for matching funds) to the Indian tribe for the operation of its JOBS program. It is the view of the Committee that the existence of services and funds available under this Act should not be used by the Bureau of Indian Affairs as grounds for justifying automatic reductions in programs under the authority of the Bureau.

The work, training, and education program conducted by an Indian tribe need not meet any requirement imposed by the JOBS statute that the Secretary determines to be inappropriate, but the program must be consistent (as determined by the Secretary) with the purposes of the JOBS program.

For purposes of this provision, an Indian tribe is any tribe, band, nation, or other organized group or community of Indians, including any Alaska Native village (as defined in, or established pursuant to, the Alaska Native Claims Settlement Act) that is recognized by the Federal government as eligible for services from the Bureau of Indian Affairs and is located on a reservation (as defined in section 3(d) of the Indian Financing Act of 1974).

The bill directs the Secretary of HHS, in cooperation with the Secretary of Interior, to conduct a comprehensive study to evaluate: (1) how effectively non-Indian specific job, training, and education programs for low income individuals respond to the needs of Indians on reservations; (2) how effectively Indian-specific job, training, and education programs for low income Indians (including this program) respond to the needs of Indians on reservations; (3) the extent of unmet need on reservations for these types of programs; (4) how such programs for Indians could be better coordinated; (5) how such programs could be improved or restructured so that they can better meet the needs of Indians on reservations; (6) what sustainable job markets exist in Indian communities, by tribe and region and (7) the availability of support services, including transportation and child care, that are necessary to assist Indians in participating in job training programs and in obtaining permanent employment. This study must be submitted by October 1, 1989, or one year after the date of enactment, whichever is later.

S. PERFORMANCE STANDARDS

Present law.—No provision.

Committee bill.—The Secretary of HHS must submit recommendations for performance standards to the Congress within five years after enactment. Recommendations must be developed in consultation with representatives of organizations representing Governors, State and local program administrators, educators, and other interested persons. Recommendations must include standards with respect to specific measurements of outcomes such as participation rates, income gains, placement rates, and other factors.

T. IMPLEMENTATION AND EFFECTIVENESS STUDIES

Committee bill.—The Secretary is required to conduct an implementation study based on a representative sample of States and localities, and must document with respect to JOBS programs (1) the types, mix, and costs of services offered, (2) participation rates or activity levels, (3) the characteristics of the individuals in the different type of activities, (4) the provisions made for child and day care and the extent to which limitations exist with respect to the availability of such care, (5) the institutional arrangements and operating procedures under which activities are offered in the different locations, and (6) such other factors as the Secretary deems appropriate. The bill authorizes an appropriation of \$500,000 for each of fiscal years 1989, 1990, and 1991 for the purpose of conducting this study.

In addition, the Secretary is directed to conduct a study to determine the relative effectiveness of the different approaches used by States under the JOBS program for assisting long-term recipients. The study must be based on data gathered from demonstration projects conducted in five States chosen by the Secretary from among applications submitted by interested States. Such projects must be conducted for a period of not less than three years upon such terms and conditions as the Secretary may provide.

Demonstration projects must use specific outcome measures to test the effectiveness of particular programs. Such measures must include educational status, employment status, earnings, receipt of child support supplements, receipt of other transfer payments, and, to the extent possible, the poverty status of participating families. The projects must involve use of experimental and control groups composed of a random sample of participants in the JOBS program. The Secretary must assure that the experimental design is comparable among localities.

Participating States must provide the Secretary (in such form and with such frequency as he requires) interim data from the effectiveness demonstration projects. The Secretary must report to the Congress annually on the progress of the projects, and not later than one year after the date of final data collection, must submit the effectiveness study to the Congress.

The bill authorizes an appropriation of \$10 million for each of fiscal years 1989 through 1993 for the purpose of making payments to States conducting demonstration projects.

U. ISSUANCE OF REGULATIONS/EFFECTIVE DATE

(Sec. 205)

Committee bill.—Not later than six months after the date of enactment, the Secretary of Health and Human Services must issue proposed regulations for the purpose of implementing the JOBS program, including regulations establishing uniform data collection requirements. The Secretary must publish final regulations not later than one year after the date of enactment.

The amendments with respect to the JOBS program become effective on October 1, 1990. However, fiscal years 1989 and 1990 will be transition years. All States may continue to operate programs under current law authority (WIN, WIN demonstration, job search, CWEP, and work supplementation). (The WIN demonstration authority, which expires June 30, 1988, is extended through fiscal year 1990.) However, States will have the option of implementing a new JOBS program as of the first day of any calendar quarter beginning on or after the date on which the proposed regulations are published (or, if earlier, the date on which such regulations are required to be published). The JOBS funding limitation for a State that operates a program for less than a full fiscal year will be adjusted to reflect the portion of the year during which the JOBS program will be in effect in that State.

TITLE III—TRANSITIONAL ASSISTANCE FOR FAMILIES

A. EXTENDED ELIGIBILITY FOR CHILD CARE

(Sec. 301)

Present law.—Under WIN regulations, necessary supportive services, including child care, must continue for a period of 30 days after a WIN participant starts unsubsidized employment, and may continue for a maximum of 90 days at the discretion of the WIN supportive services unit. Under the WIN demonstration program, States have discretion as to whether such transitional services are provided. There is no provision for transitional child care services under the community work experience, work supplementation, and job search programs.

A number of States provide child care to AFDC recipients who leave the rolls because of employment through their title XX social services programs. Under these programs, States establish their own fee schedules. Child care provided with title XX funds must meet applicable standards of State and local law.

Committee bill.—Each State must guarantee child care for each child requiring care, to the extent that the care is determined by the State agency to be necessary for an individual's employment, in any case where a family has ceased to receive child support supplements under this part as a result of increased hours of, or increased income from, employment, or as a result of losing earnings disregards.

The bill gives States flexibility in deciding how care will be provided with respect to any particular situation. A State may provide care directly; arrange for the provision of care by contractors or

vouchers; provide cash or vouchers to the family in advance; reimburse the family; or use any other arrangements the State may select. This will enable a State to adapt its program of assistance to take account of the kinds of assistance that may exist in various areas and communities.

Transitional care is limited as follows: (1) the family must have received assistance in at least three of the six months immediately preceding the month of ineligibility; (2) care is limited to a period of nine months after the last month for which the family actually received assistance, and a total of nine months out of any 36 month period; and (3) the family must include a child who is (or, if needy, would be) a dependent child.

A family may not be eligible for care for any month after which the caretaker relative has (1) submitted false or misleading information in order to obtain assistance; (2) been subject to a sanction in the preceding 12 months for failure to meet JOBS employment and training participation requirements; (3) without good cause, terminated employment, refused to accept employment, or reduced the hours of employment; or (4) failed to cooperate with the State in establishing and enforcing child support obligations.

A family must contribute to the cost of care in accordance with a sliding scale based on ability to pay, established by the State and approved by the Secretary.

Federal funding is available for costs incurred by the State at the Medicaid matching rate (50-80 percent) on an open-ended entitlement basis. Matching is available for costs up to amounts established by the State, but not in excess of local market rates.

Child care must meet applicable standards of State and local law. *Effective date.*—October 1, 1989.

B. EXTENDED ELIGIBILITY FOR MEDICAL ASSISTANCE

(Sec. 302)

Present law.—There are two rules for continuing Medicaid coverage to families that lose such coverage as the result of earnings from employment:

(1) States must continue Medicaid benefits for nine months for families that lose AFDC eligibility due solely to the fact that they are no longer eligible for certain earned income disregards. (AFDC recipients are entitled to the disregard of \$30 plus one-third of additional earnings in determining AFDC benefit amounts. However, the one-third disregard may be applied for only four consecutive months of earnings. Thereafter, the \$30 disregard may be applied for a limit of eight additional months.) States may at their option provide Medicaid for an additional six months to families that would have remained eligible for AFDC if these disregards were applied.

(2) States must provide for a continuation of Medicaid benefits for a period of four months in the case of a family that loses benefits as a result of increased hours of, or increased income from, employment, if the family has received benefits in at least three of the six months immediately preceding the month in which the family becomes ineligible. This provision applies to a family that loses

benefits because of earnings that are at a level that would make the family ineligible even if the \$30 plus one-third disregard were used in determining its eligibility for an AFDC benefit. It would also apply to a family receiving AFDC on the basis of the unemployment of the principal earner if the family becomes ineligible because the principal earner works more than 100 hours a month.

Committee bill.—The provisions in present law relating to transitional Medicaid benefits for families that leave the welfare rolls because of employment are expanded and simplified as follows:

1. MANDATORY EXTENSION PERIOD

Each State's Medicaid plan must provide that each family that received assistance under the State's child support supplement program in at least three of the six months immediately preceding the month of ineligibility because of increased hours of, or increased income from employment of the caretaker relative, or because of the loss of earnings disregards, shall, without reapplication for benefits, remain eligible for Medicaid during the immediately succeeding six-month period.

The State must notify the family of its right to extended Medicaid when it notifies the family of the termination of cash assistance. The notice must include a description of the circumstances under which the Medicaid extension may be terminated. A card or other evidence of the family's entitlement to assistance must be included.

A family shall be denied Medicaid during the six-month period for any month in which the family does not include a child who is (or would if needy be) a dependent child. However, the State may not discontinue assistance with respect to a child or an SSI recipient until the State has determined that the individual is not eligible under the State's plan for services to persons who are not categorically eligible.

Medicaid shall be denied beginning after a month during which the caretaker relative has (1) submitted false or misleading information in order to obtain child support supplements; (2) been subject to sanction in the preceding 12 months for failure to meet the JOBS employment and training participation requirements; (3) without good cause, terminated employment, refused to accept employment, or reduced the hours of employment; or (4) failed to cooperate with the state in establishing and enforcing child support obligations.

Prior to denial, the State must provide the individual with notice of the grounds for the denial. In the case of denial on the basis of (2) above, the notice must include a description of how the family may reestablish eligibility. The amount, duration, and scope of services made available with respect to a family must be the same as if the family were still receiving cash assistance.

At its option, a State may pay a family's expenses for premiums, deductibles, coinsurance, or similar costs for health insurance provided by an employer to a caretaker relative (and also for insurance provided by an employer to an absent parent who is paying child support for a dependent child if that insurance provides more cost-effective coverage). As a condition of extended coverage, the

State may require the caretaker relative to apply for such employer coverage, if the State provides for payment of the premium, deductible, coinsurance, or similar expense that the caretaker relative is otherwise required to pay. Under this option, the family would remain eligible under the regular Medicaid program, but such employer-provided coverage must be treated as a third-party liability (which requires the State to seek reimbursement for assistance provided to the extent of the liability).

2. ADDITIONAL EXTENSION PERIOD—RECIPIENT OPTION

A State must offer each family that has received Medicaid during the entire six-month period (described in (1)) and has met earnings reporting requirements the option of extending assistance for the succeeding six-month period.

The bill requires the filing of reports of income in order to qualify for benefits in both the first and second six-month periods.

Each State must require every family that receives transitional medical assistance to report the family's gross monthly earnings (and monthly costs of child care incurred by reason of the employment of the caretaker relative), on such date or dates as the State may choose, after the second month of receipt of such assistance.

During the second and fourth month of any extended assistance, the State must notify the family of the family's option for assistance in the subsequent six-month period. The notice must include a statement of monthly reporting requirements, a statement as to premiums required for such extended assistance, and a description of other out-of-pocket expenses, benefits, reporting and payment procedures, and any pre-existing condition limitations, waiting periods, or other coverage limitations imposed under any alternative coverage options offered by the State (described below).

A family shall be denied assistance under the same conditions as apply during the initial six-month period. In addition, assistance shall be denied beginning after a month with respect to which the family (1) fails to pay any required monthly premium, or (2) fails to meet the reporting requirement, unless the family establishes good cause for such failures. A family shall be ineligible for assistance if the family's average gross monthly earnings (less the costs of child care necessary for the employment of the caretaker relative) during the preceding month exceeds 185 percent of the OMB poverty line.

If a family fails to meet the reporting requirements, the State may provide for suspension of assistance, rather than termination, in order to allow the family additional time to meet the reporting requirement. The requirement for notice of denial described above is also applicable to assistance offered during the period of optional eligibility.

During the optional extended period, the State must generally offer assistance that is the same amount, duration, and scope as would be available to the family if it were still receiving cash assistance. However, at State option, a State may elect not to provide any or all of the following items and services: skilled nursing facility services; certain care provided by licensed practitioners; home health care services; private duty nursing services; physical ther-

apy; certain diagnostic, screening, preventive and rehabilitative services; inpatient hospital services, skilled nursing facility services, and intermediate care facility services for individuals age 65 or over in an institution for mental diseases; intermediate care facility services (other than such services in an institution for mental diseases); inpatient psychiatric hospital services for individuals under age 21; hospice care; and respiratory care services.

The State may offer alternative coverage in lieu of the regular Medicaid program under one or another of the following: enrollment in a family option of the group health plan offered the caretaker relative; enrollment in a family option within the options of the group health plan or plans offered by a State to State employees; enrollment in a basic State health plan offered by the State to individuals otherwise unable to obtain health insurance coverage; enrollment in a health maintenance organization less than 50 percent of the membership of which consists of individuals who are eligible for Medicaid, excluding those who are eligible under this option. If the State offers to enroll a family under one of the above options, the State must pay any premiums, deductibles, coinsurance, and other costs imposed on the family. At State option, employer-provided coverage may be offered to a family on the same basis as described in (a) above, with such coverage being treated as a third-party liability.

The State must impose a premium for coverage offered during the optional six-month period. The level of the premium may vary for options offered by the State (described above). The amount of the premium may not exceed 3 percent of the family's gross monthly earnings, and no premium may be imposed if the family's gross monthly earnings (less child care costs) do not exceed 100 percent of the OMB poverty line.

The bill requires the Secretary of Health and Human Services to conduct a study of the impact on the Medicaid extension provisions and to issue a report by January 1, 1993. The study must include an examination of the extent to which the availability of extended Medicaid benefits affects access to and use of medical services, the relative effectiveness of different types of coverage provided by States, and the effect of requiring families to pay premiums or incur any other expenses with respect to extended benefits.

Effective date.—October 1, 1989.

TITLE IV—CHILD SUPPORT SUPPLEMENT AMENDMENTS

HOUSEHOLDS HEADED BY MINOR PARENTS

(Sec. 401)

Present law.—A minor parent who has a child, and who leaves home, may establish her own household and claim AFDC as a separate family unit. In this situation, the income of the parents of the minor parent is not automatically counted as available to the minor parent, because they are not sharing a household. If a minor parent lives with her parents, their income is counted in determining the benefit of the minor parent.

Committee bill.—A minor under age 18 who has never married and who has a child (or is pregnant) may receive assistance only if

she resides with a parent, legal guardian, or other adult relative, or in a foster home, maternity home, or other adult-supervised supportive living arrangement.

This requirement does not apply if (1) the individual has no parent or legal guardian who is living and whose whereabouts are known; (2) the parent or legal guardian does not allow the individual to live in the home; (3) the State agency determines that the physical or emotional health or safety of the individual or her child would be jeopardized; (4) the individual lived apart from her parent or legal guardian for a period of at least one year prior to the birth of the child or applying for benefits; or (5) the State agency otherwise determines (under regulations by the Secretary) that there is a good cause for waiving the arrangement. Assistance, where possible, must be paid to the parent or legal guardian.

Effective date.—The first day of the first quarter to begin one year after the date of enactment.

BENEFITS FOR FAMILIES OF UNEMPLOYED PARENTS

(Sec. 402)

Present law.—Under present law, States are required to provide assistance to needy families with children in cases where the children are deprived of parental support because of a parent's death, incapacity, or absence from the home. At their option, States may also provide assistance to families in which the children are deprived of support because the principal earner in the family is unemployed. At present, 27 States, the District of Columbia, and Guam operate assistance programs for families of unemployed parents.

States with AFDC-Unemployed Parent Programs

California	Maryland	Ohio
Connecticut	Massachusetts	Oregon
Delaware	Michigan	Pennsylvania
District of Columbia	Minnesota	Rhode Island
Guam	Missouri	South Carolina
Hawaii	Montana	Vermont
Illinois	Nebraska	Washington
Iowa	New Jersey	West Virginia
Kansas	New York	Wisconsin
Maine	North Carolina	

States without AFDC-Unemployed Parent Programs

Alabama	Kentucky	South Dakota
Alaska	Louisiana	Tennessee
Arizona	Mississippi	Texas
Arkansas	Nevada	Utah
Colorado	New Hampshire	Virgin Islands
Florida	New Mexico	Virginia
Georgia	North Dakota	Wyoming
Idaho	Oklahoma	
Indiana	Puerto Rico	

Although cash assistance for unemployed parent families is optional with the States, present law requires all States to provide medical assistance to pregnant women and to children under age 7 in families meeting the AFDC needs standards even if the family is not otherwise eligible for AFDC.

Committee bill.—Effective October 1, 1990, all States would be required to provide cash assistance to families meeting the needs standards of the Child Support Supplement (CSS) program in which the children are deprived of parental support because of the unemployment of the principal earner. States could provide such assistance in the same manner in which they provide assistance under the regular CSS program or they could provide assistance under a specially designed program aimed at providing transitional assistance combined with emphasis on education, employment, and training to assist unemployed parents and their spouses to enter or reenter the workforce.

Under the bill, State programs of child support supplements for unemployed parent families (CSS-UP) could:

- require participation by any parent in one or more education, employment, and training activities approved under the JOBS program (not to exceed a combined total of 40 hours per week);

- provide that the cash payments would be made to participants after they had performed the required JOBS program activities;

- provide for the participation of both spouses in JOBS program activities (subject to the JOBS program child care requirements); and

- limit the duration of cash assistance eligibility. (However, a State could not deny benefits to an otherwise eligible family unless the family had received CSS-UP benefits in at least six out of the preceding 12 months.)

This provision for State flexibility in program design does not override other provisions in the bill that limit the number of hours a family may be required to participate in CWEP, require the provision of child care, and limit participation of parents caring for a child under age 6 to no more than 24 hours a week.

If a State chooses to provide a limit on the duration of cash assistance, medical assistance would nevertheless have to be provided for children in the family who are under age 18 and (as in present law) for pregnant women in the family.

It is the Committee's intent to allow States flexibility in structuring their CSS-UP programs. Thus, the above rules are intended to set the boundaries of the minimum that States may provide, but any program which falls between those limits and the full CSS program would be acceptable. Moreover, within those boundaries, States would be free to modify the rules from time to time without the need for Federal approval (although the Secretary must be kept informed by submittal of an amendment to the State's plan). Thus, for example, a State could, depending on employment or other conditions, change the duration limit from 6 to 8 months (and back to 6) as it determined appropriate. States could if they wished set a general durational limit, but allow for waiver of the limit under specified circumstances (provided that the waiver rules were applied uniformly to all families in the same manner as other CSS program rules). Similarly, for CSS-UP families exhausting the cash assistance durational limits, States could elect to provide broader medicaid coverage than the minimum required by the Committee bill.

If a State does elect to establish durational limits on cash assistance for CSS-UP families, it must provide assurances to the Secretary of Health and Human Services that it will have a program of active assistance to help the parents in those families prepare for and obtain employment.

The Committee recognizes that there have been long-standing and deeply held differences of opinion over the desirability of extending aid to families in which both parents are present and need arises because of parental unemployment rather than because of parental death, absence, or incapacity. These differences of opinion relate both to the cost of providing such aid and to the impact on families of providing or not providing such aid. In its hearings on welfare reform, the Committee received impressive testimony from the State of Utah about how it had resolved these differences by establishing a new type of unemployed parent program which provided help to the affected families but did so in ways which emphasize and strengthen the basic employability of these families. The Committee has patterned its unemployed parent provision generally after the Utah experience. The Committee recognizes that conditions are different in each State, and therefore allows each State a great deal of flexibility to modify the Utah model in ways which may be more appropriate to its population and economy.

The Committee is aware that there is a substantial body of research showing that there is a strong link between unemployment and family instability. The Committee hopes and expects that its unemployed parent provisions will encourage and enable States to operate programs which truly assist families to retain their stability while meeting their basic needs during periods of unemployment. Given the past history of differences of opinion about the most desirable form of assistance for such families, however, the Committee considers it extremely important that careful evaluation of these programs be conducted. For this reason, the bill requires the Secretary to conduct evaluations of State unemployed parent programs, including both time-limited and conventional UP programs. The Secretary is to report back to the Congress on the results of these evaluations and with any recommendations he or she may have no later than 4 years after enactment.

The bill also modifies the provision in current law that limits eligibility for assistance to families whose principal earner already has a measurable attachment to the work force. Under present law, the principal earner must (1) have 6 or more quarters of work in any 13-calendar-quarter period ending within one year prior to application for assistance, or (2) have received or been eligible to receive unemployment compensation within one year prior to application for assistance. Under the Committee bill, States will have the option of substituting attendance in school or technical training, or participation in JTPA, for four of the six required quarters of work. This option may be exercised in all or part of the State. In addition, the bill specifies that participation in the new JOBS program will be counted in meeting the quarter of work requirement. A parent who is otherwise eligible for child support supplements but does not receive them in any month solely because the State has chosen to provide benefits on a time-limited basis will be considered to continue to meet the quarter of work requirement and

will not be required to reestablish eligibility with respect to that requirement.

Effective date.—October 1, 1990.

PERIODIC REEVALUATION OF NEED AND PAYMENT STANDARD

(Sec. 403)

Present law.—Under present law, each State determines the “need standards” for families of various sizes. A family with income below these “need standards” is considered to be “needy” and therefore eligible for assistance (provided that other eligibility conditions are also met). States also may establish “payment standards” which are used to determine the amount of assistance payment that needy families will qualify for. These are no Federal rules governing how States establish their need and payment standards or how often they must review or revise them.

Committee bill.—The Committee bill does not change the present law flexibility which allows each State to establish its own need and payment standards for assistance. However, States will be required to undertake a reevaluation of these standards at least once every 5 years. The bill does not require that States modify the standards as a result of the reevaluation, but they will be required to report the results to the Secretary who must in turn report to the Congress. These reports must include information as to how the standards are arrived at, how the need standard relates to the payment standard, and what changes, if any, were made in the standards during the five-year period.

TITLE V—DEMONSTRATION PROJECTS

GRANTS TO PROVIDE PERMANENT HOUSING FOR FAMILIES THAT WOULD OTHERWISE REQUIRE EMERGENCY ASSISTANCE

(Sec. 501)

Committee bill.—The Secretary of HHS is authorized to make grants for demonstration programs to test whether States that incur particularly high costs in providing emergency assistance for temporary housing to homeless welfare families can effectively reduce such costs by the construction or rehabilitation of permanent housing that such families can afford with their regular welfare payments.

The Secretary shall select up to two States from among those who apply, and are eligible for selection, to conduct a demonstration project. To be eligible, a State must be currently providing emergency assistance in the form of housing, including transitional housing; have a particularly acute need for assistance in dealing with the problems of homeless welfare families by virtue of the large number of such families and the existence of shortages in the supply of low-income housing in the political subdivision or subdivisions where such project would be conducted; and submit a plan to achieve significant cost savings over a 10-year period through the conduct of such project with assistance under this demonstration authority. If more than two States are determined to be eligible,

the two States selected shall be those with respect to which cost savings will be the greatest.

Grants for each demonstration project shall be awarded within six months after the date of appropriation of funds.

The Secretary shall make annual grants to each State conducting a demonstration project for the construction or rehabilitation of permanent housing to serve families who would otherwise require emergency assistance in the form of temporary housing.

To receive a grant, the State must furnish the Secretary with satisfactory assurances that—

(1) the proceeds of the grant will be used exclusively for the construction or rehabilitation of permanent housing to be owned by the State, a political subdivision of the State, an agency or instrumentality of the State or of a political subdivision of the State, or a nonprofit organization;

(2) all units assisted with funds under the grant will be used exclusively for rental to families which (a) are eligible, at the time of the rental, for assistance under the State's plan; (b) have been unable to obtain non-emergency housing at rents that can be paid with the portion of such assistance allocated for shelter; and (c) if such units were not available to them, would be compelled to live in a shelter for the homeless or in a hotel or other temporary accommodation paid for with emergency assistance, or would be homeless;

(3) the local jurisdiction in which the housing will be located is experiencing a critical shortage of housing units that are available to families eligible for assistance under the State plan at rents that can be paid with the amount of assistance allocated for shelter; and

(4) whenever units assisted with grants become available for occupancy, the State will discontinue the use of an equivalent number of units of the most costly accommodations it has been using as temporary housing paid for with emergency assistance, except to the extent that such accommodations are demonstrably needed (a) in addition to the units that are assisted, to take account of the emergency assistance caseload, or (b) because discontinuing the use of such units would not be in the best interests of needy families (provided that the State discontinues the use of an equivalent number of other units it has been using as temporary housing paid for with emergency assistance).

The average cost to the Federal Government per unit of housing constructed or rehabilitated with a grant shall be an amount no greater than the yearly Federal payment of emergency assistance that would be required to provide housing for a family in a shelter for the homeless, a hotel or motel, or other temporary quarters for one year in the jurisdiction where the project is located.

The total amount of Federal payments to a State under part A of title IV of the Social Security Act over a 10-year period beginning at the time construction or rehabilitation commences under the State's project, with respect to the families who will live in housing assisted by a grant under the project (the "total grant cost"), must be lower as a result of the construction or rehabilitation of permanent housing with the grant than the total amount of Federal pay-

ments under the part that would have been made if the State made emergency assistance payments with respect to the families involved at the level of the "standard yearly payment" during the 10-year period. If the "total grant cost" is not lower than the total amount of Federal payments, the State shall be responsible for paying the difference between such cost and such total amount.

The bill provides the following definitions for use with respect to this demonstration project:

"Emergency assistance" means emergency assistance to needy families with children as provided in section 406(e) of the Social Security Act, and regular payments for the costs of temporary housing authorized as a special needs item under the State plan.

"Standard yearly payment," with respect to emergency assistance used to provide housing for a family in a shelter for the homeless, a hotel, or other temporary quarters during any year in any jurisdiction, means an amount equal to the total amount of such assistance which was needed to provide all housing in temporary accommodations in that jurisdiction in the most recently completed calendar year, at the 75th percentile in the range of all payments of emergency assistance for temporary accommodations, based on the State's actual experience with emergency assistance in such jurisdiction.

"Total grant cost," with respect to housing constructed or rehabilitated under a demonstration project, means the sum of (a) the Federal share of payments attributable to the construction or rehabilitation of such housing during the 10-year period beginning on the date on which its construction or rehabilitation begins, (b) the Federal share of payments of emergency assistance for temporary housing to the families involved during that part of the 10-year period in which such housing is undergoing construction or rehabilitation, and (c) the Federal share of regular payments of child support supplements under the State plan to such families during the remainder of the 10-year period.

Any grant to a State under this authority shall be made only on condition that the non-Federal share of the total cost of the construction or rehabilitation of the housing involved is equal to at least the percentage of the current non-Federal share of assistance under the State's cash assistance program, increased by 10 percentage points, and that such State not require any of its political subdivisions to pay a higher percentage of the total costs of the construction or rehabilitation of such housing than they would pay with respect to such cash assistance.

The bill authorizes an appropriation of \$8 million for each of the first five fiscal years beginning on or after October 1, 1988 for the purpose of making grants to conduct the demonstration projects. This amount shall be divided between the States conducting demonstration projects according to their respective need for assistance of the type involved and their respective numbers of homeless families receiving cash assistance.

The Secretary is required to publish regulations to implement the demonstration authority no later than six months after the date of enactment.

PROJECTS FOR DEVELOPING INNOVATIVE EDUCATION AND TRAINING PROGRAMS FOR CHILDREN RECEIVING CHILD SUPPORT SUPPLEMENTS

(Sec. 502)

Committee bill.—The bill authorizes an appropriation of \$500,000 for each of fiscal years 1989, 1990, 1991, 1992, and 1993 to allow the Secretary to make grants to States for demonstration projects aimed at encouraging the development of innovative education and training programs for children receiving child support supplements. States may establish and conduct one or more demonstration projects, targeted to such children, that are designed to test financial incentives and alternative approaches to reducing the number of school dropouts, encouraging skill development, and avoiding welfare dependence.

Demonstration projects must meet such conditions and requirements as the Secretary shall prescribe, and each project must be conducted for at least one year, but no longer than five years.

PROJECTS TO ENCOURAGE STATES TO EMPLOY PARENTS AS PAID CHILD CARE PROVIDERS

(Sec. 503)

Committee bill.—The bill authorizes an appropriation of \$1 million for each of fiscal years 1989, 1990, 1991, 1992, and 1993 to enable the Secretary of Health and Human Services to make grants to States to encourage the employment of parents of dependent children receiving child support supplements as providers of child care for other children receiving such supplements.

Up to five States will be allowed to conduct demonstrations to test whether such employment will effectively facilitate the conduct of the education, training, and work program (JOBS) provided for under the Committee's bill by making additional child care services available, while affording significant numbers of families receiving child support supplements a realistic opportunity to avoid welfare dependence.

The Secretary must consider all applications received from States, and must approve up to five applications involving projects which appear likely to contribute significantly to the achievement of the purpose of the demonstration. Projects conducted under the demonstration must meet such conditions and requirements as the Secretary shall prescribe.

DEMONSTRATION PROJECTS TO TEST ALTERNATIVE DEFINITIONS OF UNEMPLOYMENT

(Sec. 504)

Present law.—Under present law, States have the option of providing assistance to families in which the children are deprived of support because of the "unemployment" of the principal earner. The concept of what constitutes unemployment is not statutorily defined. The statute requires the Secretary to define the term, and regulations generally require that an individual be working less

than 100 hours per month to be considered unemployed. (An individual could be considered unemployed if he exceeds this limit in a month because of temporary and intermittent work provided that he did not work more than 100 hours in the 2 preceeding months and is not expected to work more than 100 hours in the following month.)

Committee bill.—The Committee bill requires the Secretary of Health and Human Services to approve demonstration projects to test a definition of unemployment which is easier to meet than the present 100 hour rule. Such demonstration projects may be State-wide, but may also be operated on a less than Statewide basis. The Secretary may not approve demonstration projects in more than 10 States, and the demonstration authority for these projects expires 5 years after the date of enactment. States undertaking these projects will be required to evaluate their costs and employment effects using randomly selected control and experimental participants. Upon the conclusion of the demonstrations, the Secretary must report the results to Congress.

PROJECTS TO ADDRESS CHILD ACCESS PROBLEMS

(Sec. 505)

Committee bill.—The bill authorizes appropriations of \$5 million for each of fiscal years 1989 and 1990 for the purpose of making grants to States to assist in financing projects to develop, improve, or expand activities designed to increase compliance with child access provisions of court orders.

Activities that may be funded by a grant include the development of systematic procedures for enforcing access provisions of court orders, the establishment of special staffs to deal with and mediate disputes involving access (both before and after a court order has been issued), and the dissemination of information to parents. Projects may be conducted through the executive, legislative, or judicial branches of the State government.

Not later than July 1991 the Secretary of Health and Human Services must submit a report to the Congress on the effectiveness of the demonstration projects in (1) decreasing the time required for the resolution of disputes related to child access, (2) reducing litigation relating to access disputes, and (3) improving compliance with court-ordered child support payments.

PROJECTS TO EXPAND THE NUMBER OF CHILD CARE FACILITIES AND THE AVAILABILITY OF CHILD CARE, WITH EMPHASIS ON INCREASING CHILD CARE IN RURAL AREAS

(Sec. 506)

Committee bill.—There are authorized to be appropriated \$5 million for each of fiscal years 1989, 1990, and 1991 for the purpose of making grants to not less than five nor more than 10 States to conduct demonstration projects aimed at increasing opportunities for child care for families eligible for child support supplements.

In selecting States to conduct demonstration projects the Secretary shall give priority to States (1) that propose to conduct the

project in communities with a population of less than 50,000; and (2) with the severest shortage of affordable child care for children eligible for child support supplements.

Each State submitting an application must describe (1) the technical and financial assistance that will be made available under the project; (2) the geographic area that will be primarily served by the project; and (3) with respect to such area, the number of households receiving public assistance, the number of children eligible for child support supplements, and existing child care opportunities (including the number of available positions for children and the average monthly cost per child).

States conducting demonstration projects must contract with one or more nonprofit organizations to carry out the project, including furnishing technical and financial assistance to child care providers that meet applicable State or local standards to assist such providers in increasing the availability of child care in a community through such methods as the acquisition, expansion, or rehabilitation of child care facilities, and (if the contract with the State provides) by providing transportation to assure access to such facilities.

A demonstration project conducted under this authority shall be commenced not later than September 30, 1988, and shall be conducted for a three-year period unless the Secretary determines that the State conducting the project is not in substantial compliance with the terms of the agreement entered into by the Secretary and the State.

Each State conducting a demonstration project must furnish the Secretary with such information as he determines necessary to evaluate the results of the demonstration. Not later than October 1, 1991, the Secretary must submit a report to the Congress that describes the results of the projects and contains such recommendations as the Secretary determines are appropriate.

PROJECTS TO EXPAND THE NUMBER OF JOB OPPORTUNITIES AVAILABLE TO CERTAIN LOW-INCOME INDIVIDUALS

(Sec. 507)

Committee bill.—The bill authorizes \$7.5 million for each of fiscal years 1989, 1990, and 1991 for grants to nonprofit organizations, including community development corporations, to conduct demonstration projects aimed at creating employment opportunities for certain low-income individuals.

The Secretary of Health and Human Services is directed to enter into agreements with not less than five nor more than 10 such organizations that apply to conduct a demonstration project. Organizations conducting projects are required to provide technical and financial assistance to private employers in the community to assist them in creating employment and business opportunities for eligible individuals. Eligible individuals include any individual eligible to receive child support supplements, as well as other individuals whose income does not exceed 100 percent of the OMB poverty line.

Organizations submitting applications for grants must include information in their applications that describes (1) the technical and

financial assistance that will be made available under the project; (2) the geographic area to be served; (3) the percentage of low-income individuals and individuals receiving child support supplements in the area to be served by the project; and (4) unemployment rates in the geographic areas to be served and (to the extent practicable) the jobs available and skills necessary to fill those vacancies in such areas.

In approving applications, the Secretary shall give priority to applications proposing to serve those areas containing the highest percentage of individuals receiving child support supplements.

An organization participating in a demonstration project must provide assurances to the Secretary that it has or will have a cooperative relationship with the agency responsible for administering the JOBS program in the area served by the project.

Demonstrations must begin not later than September 30, 1988, and are to be conducted for a three-year period. However, the Secretary may terminate a project at an earlier date if he determines that the organization conducting the project is not in substantial compliance with the terms of the agreement entered into by the State and the Secretary.

The bill requires the Secretary to conduct an evaluation of the success of each demonstration project in creating job opportunities. Not later than October 1, 1991, the Secretary must submit to the Congress a report containing a summary of the evaluations, together with such recommendations as he determines are appropriate. The Secretary may require each organization conducting a demonstration to provide such information as he determines necessary to prepare the required report.

PROJECTS TO PROVIDE COUNSELING AND SERVICES TO HIGH-RISK TEENAGERS

(Sec. 508)

Committee bill.—The bill authorizes the establishment of State teen care demonstration projects aimed at providing programs in which a range of non-academic services (sports, recreation, and the arts) and self-image counseling are provided to high-risk teenagers in order to reduce the rates of pregnancy, suicide, substance abuse, and school dropout among such teenagers. The Secretary of Health and Human Services is directed to enter into agreements with four States that submit applications to conduct such demonstration projects.

States conducting demonstrations must establish a "Teen Care Plan" that consists of the following: (1) a clearing house where high-risk teenagers will be referred and encouraged to participate in non-academic activities which are already in place in the community; (2) a survey of the area to be targeted by the project to determine the need to fund and create new non-academic activities in the area; (3) counseling services using qualified, locally licensed psychologists and/or social psychologists or other mental health professionals or related experts to provide individual and group counseling to participating high-risk teenagers; (4) a program to provide participants in the project (to the extent practicable) with

transportation, child care, and equipment necessary to carry out the purposes of the project.

Each State conducting a demonstration must designate two geographical areas within the State to be targeted by the project. One area will serve as the "home base" for the project, where services will be concentrated and in which a local school system will be selected to receive services and provide facilities for resources referral and counseling. The second geographical area will serve as a "peripheral" participant, receiving assistance and services from the home base.

For purposes of the demonstration, a high-risk teenager is defined to include an individual who has reached age 10 but is under age 21, and who: has a history of academic problems; has a history of behavioral problems both in and out of school; comes from a one-parent household; or is pregnant or the mother of a child.

In selecting the States to conduct demonstration projects the Secretary is directed to consult with the Consortium on Adolescent Pregnancy. The bill further directs the Secretary to consider each State's rate of teenage pregnancy, teenage school dropout rate, incidence of teenage substance abuse, and incidence of teenage suicide.

The Secretary must give priority to States whose applications (1) demonstrate a current strong State commitment aimed at reducing teenage pregnancy, suicide, drug abuse, and school dropout; (2) contain a "State support agreement" signed by the Governor, the State School Commissioner, the State Department of Human Services, and the State Department of Education, pledging their commitment to the project; (3) describe facilities and services to be made available by the State to assist in carrying out the project; and (4) indicate a demonstrably high rate of alcoholism among State residents.

Of the States selected, one must be a geographically small State with a population of less than 1,250,000; one must be a State with a population of over 20,000,000; and two must be States with populations of more than 1,000,000 but less than 20,000,000. The Committee directs the Secretary to assure that at least one of the projects will be in a rural area.

Each State conducting a demonstration project must submit to the Secretary for his approval an evaluation plan that provides for examining the effectiveness of the project in both the home base and the peripheral areas of the State. The Secretary is directed to submit to the Congress a report containing a summary of the evaluations conducted by States. The report is due no later than October 1, 1991.

The bill authorizes an appropriation of \$2 million for each of fiscal years 1989, 1990, and 1991 for the purpose of making grants to the States. Three-fifths of the total amounts that go to each State must be expended by the State for the provision of services and facilities within the State's designated project home base, and five percent of this three-fifths must be set aside to conduct the evaluation required for each project. Two-fifths of the funds for each State must be expended by the State for the provision of services and facilities within the State's designated peripheral area, with five percent of the two-fifths set aside for purposes of the required evaluation.

Demonstration projects must begin not later than September 30, 1988, and are to be conducted for a three-year period. However, the Secretary may terminate a project before the end of the three-year period if he determines that the State conducting the project is not in substantial compliance with the terms of the agreement entered into between the State and the Secretary.

TITLE VI—PAYMENTS TO AMERICAN SAMOA, THE COMMONWEALTH OF PUERTO RICO, GUAM, AND THE VIRGIN ISLANDS

INCLUSION OF AMERICAN SAMOA UNDER TITLE IV

(Sec. 601)

Present law.—Puerto Rico, Guam, and the Virgin Islands participate in the programs established by title IV of the Social Security Act. These programs are Aid to Families with Dependent Children, Child Welfare Services, Child Support Enforcement, Adoption Assistance and Foster Care. These jurisdictions participate in those programs on the same basis as the 50 States and the District of Columbia except that there are statutory limits on the Federal funding available to them for AFDC, Foster Care, and Adoption Assistance. American Samoa is not authorized to participate in these programs.

Committee bill.—American Samoa would be authorized to operate programs under title IV of the Social Security Act. In the case of assistance under the AFDC, Foster Care, and Adoption Assistance programs, a limit on Federal funding of \$1 million per year would be established. The provision in the Committee bill would be effective October 1, 1988.

INCREASE IN THE AMOUNT AVAILABLE FOR PAYMENT TO PUERTO RICO, THE VIRGIN ISLANDS, AND GUAM

(Sec. 602)

Present law.—The program of Aid to Families with Dependent Children (AFDC) is available in the jurisdictions of Puerto Rico, Guam, and the Virgin Islands as well as in the fifty States and the District of Columbia. Although the Federal law governing AFDC generally applies on the same basis in these jurisdictions as in the States, the amount of Federal funding is subject to special rules. The Federal matching rate is set at 75 percent and is subject to an overall limit of \$72 million for Puerto Rico, \$2.4 million for the Virgin Islands, and \$3.3 million for Guam. (In addition to AFDC, the jurisdictions must also fund their programs of aid to the aged, blind, and disabled and of foster care and adoption assistance within these limits.) An additional amount of \$2 million for Puerto Rico, \$65,000 for the Virgin Islands, and \$90,000 for Guam is available in Federal funding for services provided through the AFDC program for family planning or as supportive services in connection with the Work Incentive (WIN) program.

Committee bill.—The committee bill increases the basic limitation on Federal funding in Puerto Rico, Guam, and the Virgin Islands

for AFDC, and aid to the aged, blind, and disabled, foster care, and adoption assistance. The limit for Puerto Rico is increased by \$10 million to a new limit of \$82 million for fiscal year 1989 and thereafter. The limit for the Virgin Islands is increased by \$400,000 to \$2.8 million, and the limit for Guam is increased by \$500,000 to \$3.8 million.

TITLE VII—DEMONSTRATION AUTHORITY

WAIVER AUTHORITY UNDER PART F OF TITLE IV

(Sec. 701)

Present law.—Title XI of the Social Security Act authorizes the Secretary of Health and Human Services to grant waivers of certain provisions of the AFDC, Child Support, and Medicaid statutes for purposes of carrying out experimental, pilot, or demonstration projects which he or she determines would be “likely to assist in promoting the objectives” of those programs.

Committee bill.—The existing demonstration project and waiver provisions of title XI are not modified by the Committee bill. However, the bill adds a new and additional authority to enable States to: (1) test new ways to use Federal and State funds to help families achieve independence through education, training, and work experience and (2) allow States maximum flexibility in using funds that now support low-income families in order to relieve poverty and its effects.

The bill specifies a number of areas of emphasis to be considered by the Secretary of Health and Human Services in deciding whether to approve applications to conduct demonstration projects under this new authority. For example, special consideration is to be given to demonstrations which are designed to provide effective means for assisting the Nation’s citizens to avoid poverty; to improve methods of helping public assistance recipients achieve economic independence; to improve methods of providing more adequate support for low income children; to provide coordination of employment and training programs; to provide transitional child care and health care assistance to individuals who become ineligible for child support supplements as a result of increased collection of child or spousal support or as a result of employment; to increase the number of determinations of paternity and improve the collection of child support for recipients of child support supplements; to provide child care to children of participants in education and training programs; to increase efforts by nongovernmental organizations to help public assistance recipients achieve economic independence; and to address and promote the needs of rural areas.

Demonstrations under the new authority could include any or all of the following: the child support supplement program, the JOBS program, the child support enforcement program, the emergency assistance program, the social services block grant program, and any non-Federal program which is operated within the State to alleviate poverty.

The Secretary of HHS will have continuing responsibility for conducting evaluations of each demonstration. These evaluations must be in accordance with the principals of experimental design.

The bill includes strict protections. Demonstration programs would have to be designed so that participating families and individuals (both applicants and recipients) would not suffer a loss of benefits, including in kind benefits, as a result of the demonstration. Participants in work, training, or education activities would have to have access to necessary child care services and would have protections relating to wage levels at not less than Federal and State minimums, health and safety standards, reasonableness of commuting distance, non-displacement of current employees, workers' compensation coverage, and access to hearings in the case of disputes. The application to operate a demonstration project would have to specify the participation requirements and the sanctions (if any) that would be imposed for failure to participate. The application would also have to specifically indicate the laws and regulations proposed to be waived in the demonstration project.

For any fiscal year, the Federal funding for a demonstration project will be equal to the amount estimated by the Federal agency involved that would have been provided in the absence of the demonstration project under the programs it replaces. Similarly, the non-Federal contribution required will be the same as would have been required under the programs replaced by the demonstration. If States are able to operate the demonstration projects in such a way as to reduce costs compared with existing law, the difference may be applied to improving the demonstration or otherwise benefitting the affected participants. To the extent that the demonstration replaces programs for which funding is provided on an entitlement basis, States may request that the demonstration be funded on an entitlement basis but only if the Secretary estimates that there will not be a large increase or decrease in Federal funding compared with the situation that would exist in the absence of the demonstration project.

Demonstration projects must be designed to protect the civil rights of participants, and no more than 50 demonstration projects under this authority may be in operation at any given time. Demonstration projects involving waiver of child support enforcement rules must not interfere with effective interstate paternity determination or child support enforcement and must not result in lowering child support collections.

When a demonstration project is approved and becomes operational, individuals and families must qualify for benefits under the rules of that program rather than under the rules of the programs for which it is substituting, but eligibility for programs not included in the demonstration project will be determined as if the demonstration project were not in operation.

Demonstration projects are to be conducted for periods not exceeding 5 years and the Secretary of Health and Human Services is to submit a final report on each project within one year after it terminates. The Secretary is also required to report annually on demonstrations being conducted and their effectiveness. The Governor of a State, with at least 3 months notice, may terminate a demonstration program. Similarly, the Secretary may terminate a program if it no longer meets the conditions of approval.

TITLE VIII—ADMINISTRATION OF PROGRAMS UNDER PARTS A AND D

ASSISTANT SECRETARY FOR FAMILY SUPPORT

(Sec. 801)

Present law.—The Department of Health and Human Services has five major operating divisions: the Office of Human Development Services, the Public Health Service, the Health Care Financing Administration, the Social Security Administration, and the Family Support Administration. With the exception of the Family Support Administration, each of these major departmental subdivisions is headed either by an Assistant Secretary or an individual of comparable rank who is nominated to the office by the President with the advice and consent of the Senate. The Administrator of the Family Support Administration is appointed by the Secretary of Health and Human Services and takes office without Senate confirmation.

Committee bill.—Under the Committee bill, a new position of Assistant Secretary for Family Support would be established within the Department of Health and Human Services. This office would be subject to Senate confirmation. The Assistant Secretary for Family Support would be responsible for the administration of the child support supplement program, the job opportunities and basic skills training program, and the child support enforcement program.

As described more fully in connection with the new job opportunities and basic skills training program, the Committee bill establishes a new administrative structure aimed at providing an integrated approach to operating the elements of the national welfare program. The Committee believes that this program addresses a major priority of the Nation and deserves to be headed by an individual of a stature equal to that of the administrators of other major Governmental programs. Moreover, the Committee feels that its commitment to a vigorous oversight of the implementation and operation of this reformed welfare program would appropriately begin by giving careful consideration through the Senate confirmation process to the individual nominated to administer it.

RESPONSIBILITIES OF THE STATE

(Sec. 802)

Present law.—Present law establishes separate programs of cash assistance, child support enforcement, and employment and training.

Committee bill.—This section of the Committee bill directly addresses the need to coordinate the elements of these programs by placing on States an affirmative responsibility:

- to assure that benefits and services under these programs are provided in an integrated manner;
- to encourage, assist, and require parents who seek assistance to prepare for and obtain employment and to cooperate in enforcing child support obligations; and

to notify recipients of assistance of the availability of services aimed at enhancing their employability and at establishing paternity and enforcing child support.

PREELIGIBILITY FRAUD DETECTION

(Sec. 803)

Present law.—Present law has no specific requirement that States conduct activities aimed at detecting fraudulent applications for assistance prior to the establishment of eligibility.

Committee bill.—The Committee bill provides that the Secretary of Health and Human Services shall issue regulations requiring States to implement appropriate procedures to assist in the early detection of fraudulent applications for assistance.

The Committee understands that demonstration projects have shown that it is possible for States to adopt procedures which allow for the early detection of fraudulent applications for assistance. For example, in certain projects, intake workers were specially trained to recognize certain indications of possible fraud and to promptly inform investigative units of the agency. The Committee believes that the Secretary should examine the findings of the various demonstration projects that have been conducted and issue appropriate regulations covering this matter.

The Committee recognizes that it may not be cost effective to establish pre-eligibility investigative units in all offices, particularly those in rural areas with small caseloads. The Committee expects the Secretary to take this into account in the development of the required regulations.

Concern has been expressed that the requirement of preeligibility fraud detection procedures will have the effect of intimidating and harassing applicants for assistance. The Committee does not believe that States will implement this provision in such a way as to have this result, and clearly it is not the Committee's intent that they should do so. Because of the concerns that have been expressed, however, the Committee urges the Secretary to address this issue in his regulations.

TITLE IX—TAX PROVISIONS

1. PERMANENT EXTENSION OF PROGRAM FOR IRS COLLECTION OF NONTAX DEBTS OWED TO FEDERAL AGENCIES (SEC. 901 OF THE BILL AND SEC. 6402 OF THE CODE)

PRESENT LAW

Federal agencies are authorized to notify the IRS that a person owes a past due, legally enforceable debt to the agency. The IRS then must reduce the amount of any tax refund due the person by the amount of the debt and pay that amount to the agency. The refund offset program applies to individuals and corporations. This program is scheduled to expire after June 30, 1988.

Before a refund can be offset under this program, the agency that is owed a debt must certify to the IRS that the debtor has been notified about the proposed offset and has been given at least 60 days to present evidence that all or part of the debt is not past

due or not legally enforceable. The agency must also enter into an agreement with the IRS prior to transmitting proposed offsets. If a refund otherwise due an individual is subject to offset both under this provision and because of AFDC past-due support, the offset for AFDC past-due support is implemented first.

REASONS FOR CHANGE

A permanent extension of the debt collection provisions is believed to be appropriate to facilitate the collection of debts owed to Federal agencies that the agencies have been unable to collect themselves.

EXPLANATION OF PROVISION

The bill permanently extends the tax refund offset program. Other than this permanent extension, the program is unchanged.

Prior to the enactment of this provision, some Federal agencies may take actions to notify a debtor of a proposed offset and to certify to the Treasury Department that a debt is owed, as required by section 3720A of title 31, United States Code. It is intended that these agency actions not be affected by the fact that they were taken before Congress enacted this extension of the Federal debt collection program.

The Committee retained the requirement of present law that GAO, in consultation with the Secretary of the Treasury, report to the Congress on the effects of this program on voluntary tax compliance. The report is due on April 1, 1989. This report is to provide and analyze data on the effects of the program, such as whether taxpayers whose refunds are offset continue to file tax returns and whether those taxpayers adjust their withholding so as to create additional collection difficulties.

EFFECTIVE DATE

The provision is effective on the date of enactment.

2. PHASE-OUT OF DEPENDENT CARE CREDIT FOR HIGHER-INCOME TAXPAYERS (SEC. 902 OF THE BILL AND SEC. 21 OF THE CODE)

PRESENT LAW

A nonrefundable income tax credit generally is allowed for up to 30 percent of a limited dollar amount of employment-related expenses for the care of a dependent who is under the age of 15, or of a physically or mentally incapacitated dependent or spouse (sec. 21).

Eligible employment-related expenses are limited to \$2,400 (\$4,800 if there are two or more qualifying individuals). The 30-percent credit rate is reduced by one percentage point for each \$2,000 (or fraction thereof) of the taxpayer's adjusted gross income (AGI) between \$10,000 and \$28,000. The credit rate is 20 percent for taxpayers with AGI in excess of \$28,000.

Expenses eligible for the credit may, under certain circumstances, include costs incurred by the taxpayer for day care, nursery school, a housekeeper or other home care, and day camp. Under the Omnibus Budget Reconciliation Act of 1987, expenses in-

curred by a taxpayer for an overnight camp are ineligible for the dependent care credit, effective for taxable years beginning on or after January 1, 1988.

REASONS FOR CHANGE

The dependent care credit was enacted to assist working individuals in obtaining adequate child care. Generally, the credit is intended to assist low- and middle-income earners who might not otherwise be able to enter the work force. Accordingly, the committee believes that the credit should be phased out for higher-income individuals, who are better able to afford adequate child care without the assistance of the credit.

EXPLANATION OF PROVISION

Under the bill, the dependent care credit is phased out for taxpayers with AGI between \$70,000 and \$93,750. Thus, the 20-percent credit rate is to be reduced by one percentage point for each \$1,250 (or fraction thereof) by which the taxpayer's AGI exceeds \$70,000. No dependent care credit will be allowed for a taxpayer whose AGI exceeds \$93,750. The committee intends that the Internal Revenue Service may develop tables or other means to simplify the determination of the credit for taxpayers in the phaseout range (i.e., taxpayers with AGI between \$70,000 and \$93,750).

EFFECTIVE DATE

The provision is effective for taxable years beginning after December 31, 1988.

3. TAXPAYER IDENTIFICATION NUMBERS (TINs) REQUIRED FOR DEPENDENTS AGE 2 AND OVER CLAIMED ON TAX RETURNS (SEC. 903 OF THE BILL AND SECS. 6109 AND 6676 OF THE CODE)

PRESENT LAW

Under present law, an individual must include his or her taxpayer identification number (TIN) on the individual's tax return. In addition, an individual claiming an exemption for a dependent who is at least 5 years old must report the taxpayer identification number of the dependent on the individual's tax return. The penalty for failing to include the TIN (or for including an incorrect TIN) is \$5 per TIN per return.

An individual's TIN is generally the individual's social security number. Some individuals are exempted from social security self-employment taxes due to their religious beliefs. These individuals do not have a social security number; instead, they are administratively assigned a taxpayer identification number.

REASONS FOR CHANGE

The Committee believes that it is important to ensure the validity of claims for dependency exemptions on tax returns. Some taxpayers claim an exemption for dependents that taxpayers are not entitled to claim. For example, following a divorce, both parents may continue to claim the children as dependents, even though

only one of the parents is legally entitled to claim the children as dependents.

The Committee believes that compliance in this area will be increased by requiring taxpayers to include on tax returns the taxpayers identification number (TIN) of any dependent who is at least 2 years old.

EXPLANATION OF PROVISION

A taxpayer claiming an exemption for dependent who is at least 2 years old before the close of any taxable year must include the taxpayer identification number of that dependent on the tax return of the taxpayer for that taxable year. The penalty for failing to include the TIN of a dependent (or for including an incorrect TIN) continues to be \$5 per TIN per return. In addition, if the IRS requests a taxpayer to supply an incorrect or missing TIN but the taxpayer fails to do so, the IRS may continue its current practice of denying the exemption for the dependent if the taxpayer is unable to establish that it is proper to claim that dependent on the tax return.

The Committee does not intend any change in the special procedures for obtaining taxpayer identification numbers utilized by taxpayers whose religious beliefs affect their participation in social security.

EFFECTIVE DATE

This provision is effective for returns due after December 31, 1988 (determined without regard to extensions).

TITLE XI—REORGANIZATION AND REDESIGNATION OF TITLE IV; GENERAL CONFORMING AMENDMENT RELATING TO SUCH REORGANIZATION AND REDESIGNATION

TABLE OF CONTENTS IN TITLE IV

(Sec. 1101)

Present law.—Under present law, title IV of the Social Security Act consists of 5 separate parts:

PART A—AID TO FAMILIES WITH DEPENDENT CHILDREN

This is the “basic” program under which Federal matching grants are made to States to help them meet the cost of providing cash assistance payments to needy families of children who have been deprived of parental support because of the death, incapacity, or absence from the home of a parent or (at State option) because of the unemployment of the parent who is the principal earner in the family. This was the “original” program enacted in 1935 as “Aid to Dependent Children.”

PART B—CHILD WELFARE SERVICES

This is a program of Federal grants to assist States in providing services to protect and promote the welfare of children. In the 1935 Act, this program was Part 3 of Title V.

PART C—WORK INCENTIVE PROGRAM

This is a program providing for employment and training activities for recipients of Aid to Families with Dependent Children. The WIN program was added to the Social Security Act in 1967.

PART D—CHILD SUPPORT ENFORCEMENT AND PATERNITY

This is a program under which States provide services to assist families, including families on welfare and other families requesting such services, to establish the paternity of absent parents, and to obtain and enforce child support orders. This part of Title IV was added by amendments enacted in 1975, and grew out of amendments approved by the Congress in 1967.

PART E—FEDERAL PAYMENTS FOR FOSTER CARE AND ADOPTION ASSISTANCE

This is a program under which Federal grants are made to States to assist in paying the costs of foster care and adoption assistance for children who would otherwise be members of families receiving aid to families with dependent children. The AFDC-Foster Care program was established (first temporarily and then permanently) under laws enacted in the early 1960's. It was transferred to Part E, and Adoption Assistance provided for, under the Adoption Assistance and Child Welfare Act of 1980.

Committee bill.—The Committee bill reorganizes title IV as follows:

Part A—Child Support Enforcement

Part B—Job Opportunities and Basic Skills Training Program

Part C—Child Support Supplement Program

Part D—Child Welfare Services

Part E—Foster Care and Adoption Assistance

Part F—Waiver Authority

The Committee bill thus re-forms the fundamental welfare system of the country in legislative structure as well as substance. The new structure is designed to emphasize the new approach to welfare embodied in the bill which places independence ahead of dependency. The primary responsibility for the well being of children rests not with the Government but with the parents of the child. Consequently, the first part of the new national welfare law requires the Government—State, Local, and Federal—to make sure that parents live up to their obligation to provide financial support for their children. Where parents are unable to provide adequate support for their children, the second level of Governmental intervention and the second part of the welfare law is to provide a program which will help parents to obtain the necessary education, training, work skills, and experience to improve their earnings capacity and, insofar as possible, to earn enough to become able to provide the appropriate level of support for their families. There will always be some cases where child support enforcement is unattainable or where need arises because of the incapacity or death of a parent and where efforts to restore the family to self-sufficiency are temporarily or permanently unsuccessful. In such cases, Governmental assistance will take the form of child support supple-

ments under a program which is embodied in the revised act as part C of title IV. The existing program of child welfare services is retained in a redesignated part D. Also retained is the existing Part E program of Adoption Assistance and Foster Care. To encourage States to continue the experimentation of the past several years which has provided much of the impetus underlying this welfare reform legislation, a new part F is established setting the conditions for obtaining waivers necessary to operate experimental projects.

III. REGULATORY IMPACT OF THE BILL

In compliance with paragraph 11(b) of Rule XXVI of the Standing Rules of the Senate, the following evaluation is made concerning the regulatory impact which would be incurred in carrying out the bill:

Individuals and businesses affected.—The Committee is unable to estimate precisely the numbers of individuals and businesses that might be affected by regulations issued to carry out this legislation. However, in general terms, regulatory impacts can be expected as follows:

(a) Child support provisions.—The child support provisions of the bill will require the establishment of regulations relating to wage withholding, child support award guidelines, and periodic review of child support awards. These regulations will affect families who are seeking or receiving child support services through the child support enforcement program under the Social Security Act, the absent parents who owe support to such families, and many of the employers of such parents. The most recent available statistics indicate that there are about 1.7 million child support enforcement cases under this program.

(b) Child support supplement and JOBS programs.—The regulations issued to carry out these provisions of the bill are unlikely to have any direct regulatory impact on businesses. The individuals affected will be those who participate in the program. At present, there are approximately 11 million recipients of assistance (3.8 million families) under title IV of the Social Security Act.

Economic impact of regulations on individuals, consumers, and businesses.—The Committee does not anticipate that there would be any significant impact on consumers generally resulting from the regulations issued to carry out this legislation. There could be some impact on those businesses required to carry out the wage withholding. However, withholding is already required of businesses for tax and other purposes and existing law requires withholding in cases of child support arrearage. Since it appears that most of the child support enforcement cases affected by this legislation already involve arrearages, there is unlikely to be a substantial cost to employers. The regulations issued pursuant to this legislation are expected by the Committee to have a significant economic impact on the individuals directly affected by the bill. To the extent that the regulations result in increased collections and higher child support award levels, there will be an economic impact on both the families receiving child support and on the individuals required to pay that support.

Impact on personal privacy.—The Committee bill will have minimal impact on personal privacy. The bill does include some provisions increasing the access of child support enforcement authorities to information such as unemployment wage and claims data and social security numbers. However, these provisions will operate only for the numbers. However, these provisions will operate only for the limited purpose of enforcing child support and should not result in any inappropriate loss of privacy protections for the individuals involved.

Amount of additional paperwork.—While there will be some additional paperwork associated with the regulations to carry out this bill, the Committee does not anticipate that this will be significant. The above discussions on the individuals and businesses affected and the economic impact would also be generally applicable to this paperwork evaluation subject to the general characterization that any paperwork impact is expected to be relatively slight and incidental to the general impact described in those discussions.

IV. VOTE OF THE COMMITTEE IN REPORTING THE BILL

In compliance with paragraph 7 of Rule XXVI of the Standing Rules of the Senate, the following statement is made relative to the vote by the committee to report the bill:

The bill was ordered favorably reported, with a majority of the full membership of the Committee physically present, by a vote of 17 to 3, as follows:

Voting aye: Messrs. Bentsen, Matsunaga, Moynihan, Baucus, Boren, Bradley, Mitchell, Pryor, Riegle, Rockefeller, Daschle, Packwood, Dole, Danforth, Chafee, Heinz, and Durenberger.

Voting nay: Messrs. Roth, Wallop, and Armstrong.

V. BUDGETARY IMPACT OF THE BILL

In compliance with paragraph 11(a) of Rule XXVI of the Standing Rules of the Senate and with sections 308 and 403 of the Congressional Budget Act, the following statement is made relative to the budgetary impact of the bill:

The only Federal agency which has transmitted to the Committee its estimate of the budgetary impact of the bill as reported is the Congressional Budget Office (CBO). The CBO estimate is printed in this report. The Committee, in general, accepts the estimates made by CBO and adopts them as its own for purposes of the above cited requirements.

At the time of preparation of this report, the most recently agreed to concurrent resolution on the budget was the concurrent resolution on the budget for the current fiscal year (1988). The bill, as reported, has no budgetary impact with respect to that year. For fiscal year 1989, the bill, in net, provides for a reduction in budget authority and outlays both overall and in the category of direct spending authority. Consequently, the Committee anticipates that the bill will necessarily be consistent with any allocations which may be made under section 302 of the Budget Act should a concurrent resolution on the budget for fiscal year 1989 be adopted prior to the consideration by the Senate of this bill.

VI. REPORT OF THE CONGRESSIONAL BUDGET OFFICE

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, May 19, 1988.

Hon. LLOYD BENTSEN,
Chairman, Finance Committee,
U.S. Senate, Washington, DC.

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the attached cost estimate for S. 1511, the Family Security Act of 1988, as ordered reported by the Senate Finance Committee on Ways and Means on April 20, 1988.

If you wish further details on this estimate, please call me or have your staff contact Jan Peskin (226-2820).

Sincerely,

JAMES L. BLUM,
Acting Director.

CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

1. Bill number: S. 1511.
2. Bill title: Family Security Act of 1988.
3. Bill status: As ordered reported by the Senate Finance Committee, April 20, 1988.
4. Bill purpose: The Family Security Act of 1988 includes a number of major changes in the Child Support Enforcement and Aid to Families with Dependent Children (AFDC) programs. In Child Support Enforcement, among the major changes the bill would require states to implement immediate wage withholding for all new or modified child support orders; would make state-set guidelines for child support awards binding on judges and other officials; and would require states to meet specified targets for improving the establishment of paternity for children born to unmarried mothers. In AFDC among other changes, the bill would establish a new program of education, training, and other work-related programs in all states and would increase the federal financing share of such programs. States would be required to provide child care assistance for nine months and Medicaid for up to 12 months to families who leave AFDC because of increased earnings. Further, states would be required to make eligible for AFDC benefits families in which the principal earner is unemployed, although they could limit benefits to 6 of any 12 months.

To finance the cost of the welfare program changes, the authority for the Internal Revenue Service to withhold refunds from taxpayers who are delinquent in repaying debts owed to the federal government would be made permanent. Further, the dependent care credit would be phased out for families with adjusted gross incomes in excess of \$93,750.

5. Estimated cost to the Federal Government: Over the five-year period 1989 through 1993, the Child Support Supplement (CSS) provisions would cost an estimated \$2.6 billion. The financing provisions including debt collection, would save \$2.8 billion. Thus, on balance over the five years, the federal deficit would be reduced by \$0.2 billion. In 1993, the final year of the estimation period, the federal budget deficit would be reduced by \$81 million.

These estimated costs and savings are very uncertain. As the basis of the estimate explains, many assumptions, particularly those concerning the behavior of state and local governments in reacting to the bill's changes, are critical to the estimates. While this estimate reflects CBO's best judgment of the costs and savings flowing from the bill, actual costs and savings could be higher or lower than our estimates.

[By fiscal year, in millions of dollars]

	1989	1990	1991	1992	1993
Child Support Supplement (CSS) provisions (title I-VIII):					
Direct spending:					
Estimated budget authority	62	412	1,005	935	787
Estimated outlays	62	412	1,005	935	787
Amounts subject to appropriation action:					
Estimated authorization level	29	-26	-154	-206	-239
Estimated outlays	-4	-26	-150	-193	-240
Total CSS spending:					
Estimated budget authority/estimated authorization level	91	386	851	729	548
Estimated outlays	58	386	855	742	547
Financing provisions (title IX):					
Debt collection: ¹					
Estimated budget authority	-400	-400	-400	-400	-400
Estimated outlays	-400	-400	-400	-400	-400
Revenues	17	173	188	206	228
Net budget impact—estimated increase or decrease (—) in the deficit	-359	-187	267	136	-81

¹ The debt collection provision results in reduced spending.

Most of the spending in S. 1511 is direct spending for the entitlement programs AFDC—to be renamed the Child Support Supplement program—and Medicaid. The debt collection provision, which helps to cover the costs of the welfare changes, is also direct spending. Amounts subject to appropriation action include savings in the Food Stamp program and spending for demonstration projects, studies, and interagency panels or commissions.

Basis of estimate: For purposes of the estimate, CBO has assumed enactment of the bill prior to the beginning of fiscal year 1989. The bill has nine titles, other than technical titles, which are discussed in turn. Only major provisions in each title are discussed, but Table 1 shows federal outlays for each spending provision with cost implications (see pp. 4-8).

TABLE 1.—ESTIMATED COST TO THE FEDERAL GOVERNMENT OF S. 1511 CHILD SUPPORT SUPPLEMENT PROVISIONS (TITLES I–VIII)

[Outlays, by fiscal year, in millions of dollars]

	1989	1990	1991	1992	1993	Total 1989–93
TITLE I: CHILD SUPPORT						
Mandate income withholding:						
Family Support Administration ¹			–15	–40	–60	–115
Food stamps			–5	–10	–20	–35
Medicaid			–5	–5	–10	–20
Total			–25	–55	–90	–170
After \$50 disregard for months due (Family Support Administration)	1	1	1	1	1	5
Mandate child support guidelines:						
Family Support Administration		–20	–55	–85	–115	–275
Food stamps		–5	–10	–20	–30	–65
Medicaid		(²)	–5	–10	–15	–30
Total		–25	–70	–115	–160	–370
Require demonstrations on model procedures for reviewing child support awards (Family Support Administration)	(²)	4	4			8
Mandate increases in paternity establishment (Family Support Administration)			40	25	15	80
Reimburse laboratory costs at 90 percent (Family Support Administration)	2	2	3	4	4	15
Establish standards for response time (Family Support Administration)	(³)	(³)	(³)	(³)	(³)	(³)
Mandate ADP for most States (Family Support Administration)	2	2	7	7	7	25
Permit access to DOL INTERNET System (Family Support Administration)	(²)	(²)	(²)	(²)	(²)	(²)
Require disclosure of Social Security numbers (Family Support Administration)			(²)	(²)	(²)	(²)
Establish Commission on Interstate Enforcement (Family Support Administration)	(²)	2	(²)			2
Require monthly notification of CS amounts (Family Support Administration)					2	2
Subtotal title I:						
Family Support Administration	5	–9	–25	–88	–146	–253
Food stamps		–5	–15	–30	–50	–100
Medicaid		(²)	–10	–15	–25	–50
Total	5	–14	–40	–133	–221	–403
TITLE II: JOBS PROGRAM						
Establish JOBS:						
Family Support Administration	45	314	451	441	346	1,597
Food stamps	(²)	–5	–10	–20	–30	–65
Medicaid	(²)	–5	–10	–25	–35	–75
WIN	–12	–67	–104	–108	–113	–404
Total	33	237	327	288	168	1,053
Authorize implementation study (Family Support Administration)	(²)	(²)	(²)	(²)		2
Authorize demonstrations on cost effectiveness (Family Support Administration)	2	10	10	10	10	42
Subtotal title II:						
Family Support Administration	47	324	461	451	356	1,641
Food stamps	(²)	–5	–10	–20	–30	–65
Medicaid	(²)	–5	–10	–25	–35	–75
WIN	–12	–67	–104	–108	–113	–404
Total	35	247	337	298	178	1,097

TABLE 1.—ESTIMATED COST TO THE FEDERAL GOVERNMENT OF S. 1511 CHILD SUPPORT SUPPLEMENT PROVISIONS (TITLES I–VIII)—Continued

[Outlays, by fiscal year, in millions of dollars]

	1989	1990	1991	1992	1993	Total 1989–93
TITLE III: TRANSITIONAL ASSISTANCE						
Reimburse child care for 9 months after leave AFDC (Family Support Administration)		110	165	170	170	615
Provide Medicaid for 12 months to persons who leave AFDC due to increased earnings (Medicaid)		25	120	120	120	385
Subtotal title III:						
Family Support Administration	110	165	170	170	170	615
Medicaid	25	120	120	120	120	385
Total	135	285	290	290	290	1,000
TITLE IV: CHILD SUPPORT SUPPLEMENT AMENDMENTS						
Mandate Unemployed Parent Program:						
Family Support Administration			175	176	181	532
Food stamps			–50	–55	–55	–160
Medicaid			180	205	220	605
Total			305	326	346	977
Require minor parents to live with parents:						
Family Support Administration	–20	–20	–20	–20	–20	–80
Food stamps	(²)	(²)	(²)	(²)	(²)	(²)
Medicaid	–8	–8	–9	–9	–9	–34
Total	–28	–28	–29	–29	–29	–114
Allow States to amend quarters of work rule:						
Family Support Administration			9	12	12	33
Food stamps			–5	–6	–6	–17
Medicaid			5	6	7	18
Total			9	12	13	34
Require evaluation of need and payment standards at least every 5 years (Family Support Administration)	(²)	(²)	(²)	(²)	(²)	(²)
Subtotal title IV:						
Family Support Administration	(²)	–20	164	168	173	485
Food stamps		(²)	–55	–61	–61	–177
Medicaid		–8	177	202	218	589
Total	(²)	–28	286	309	330	897
TITLE V: DEMONSTRATION PROJECTS						
Authorize demonstrations on shelter for homeless (Family Support Administration)	2	8	8	8	8	34
Authorize demonstrations on education and training for children (Family Support Administration)	(²)	(²)	(²)	(²)	(²)	2
Authorize demonstrations on AFDC mothers as day care workers (Family Support Administration)	(²)	1	1	1	1	4
Require demonstration projects on 100-hour rule:						
Family Support Administration			(²)	3	5	8
Food stamps			(²)	–1	–1	–2
Medicaid			1	3	5	9
Total			1	5	9	15
Authorize demonstrations on visitation (Family Support Administration)	1	6	5			12
Authorize demonstrations on child care (Family Support Administration)	1	5	5	4		15

TABLE 1.—ESTIMATED COST TO THE FEDERAL GOVERNMENT OF S. 1511 CHILD SUPPORT SUPPLEMENT PROVISIONS (TITLES I–VIII)—Continued

(Outlays, by fiscal year, in millions of dollars)

	1989	1990	1991	1992	1993	Total 1989–93
Authorize demonstrations with nonprofit community development corporations to create job opportunities (Family Support Administration)	2	7	8	6	.....	23
Authorize demonstrations on counseling and services for high-risk teenagers (Family Support Administration)	(*)	2	2	2	.....	6
Subtotal title VI:						
Family Support Administration	6	29	29	24	14	104
Food stamps			(*)	–1	–1	–2
Medicaid			1	3	5	9
Total	6	29	30	26	18	111
TITLE VI: PAYMENTS TO TERRITORIES						
Include American Samoa in AFDC (Family Support Administration)	1	1	1	1	1	5
Increase AFDC caps for territories (Family Support Administration)	11	11	11	11	11	55
Subtotal title VII (Family Support Administration)	12	12	12	12	12	60
TITLE VII: WAIVER AUTHORITY						
Authorize demonstration projects with waivers (Family Support Administration)	(*)	(*)	(*)	(*)	(*)	(*)
TITLE VIII: ADMINISTRATION						
Require early detection fraud units in AFDC:						
Family Support Administration		5	–25	–25	–25	–70
Food stamps		10	–5	–5	–5	–5
Medicaid		–10	–25	–30	–30	–95
Total		5	–55	–60	–60	–170
Total outlays by program:						
Family Support Administration	70	451	791	712	554	2,582
Food Stamps	(*)	0	–85	–117	–147	–349
Medicaid	(*)	2	253	255	253	763
WIN	–12	–67	–104	–108	–113	–404
Total	58	386	855	742	547	2,592
Subtotal direct spending:						
Estimated budget authority	62	412	1,005	935	787	3,201
Estimated outlays	62	412	1,005	935	787	3,201
Subtotal authorizations: ⁴						
Estimated authorization level	29	–26	–154	–206	–239	–592
Estimated outlays	–4	–26	–150	–193	–240	–609
Total:						
Estimated budget authority/estimated authorization level	91	386	851	729	548	2,609
Estimated outlays	58	386	855	742	547	2,592

¹ The Family Support Administration [FSA] in the Department of Health and Human Services has the operational responsibility for both the AFDC and Child Support Enforcement Programs.

² \$500,000 or less.

³ Standards are to be set by the Secretary of Health and Human Services. Because the standards are not yet known, an estimate of costs or savings cannot be done at this time.

⁴ Food Stamp Program changes are treated as an authorization requiring further appropriations. This is consistent with the fiscal year 1988 Budget Resolution (H. Con. Res. 93). Under the Budget Summit agreement for fiscal years 1988 and 1989, however, the Food Stamp Program is classified as mandatory (direct) spending. Other authorizations are for WIN and various demonstration projects. Authorization changes have no effect on the budget deficit unless they affect appropriations.

TITLE I—CHILD SUPPORT AND ESTABLISHMENT OF PATERNITY

Income withholding.—The bill would mandate that each state implement immediate wage withholding for all new or modified child support orders for families receiving services from the Office of Child Support Enforcement (OCSE). Such immediate withholding requirements would be effective for all orders issued or modified two years after the enactment of S. 1511.

The CBO estimate for immediate wage withholding shows federal savings of \$25 million in 1991, rising to \$90 million in 1993. Approximately 60 percent of the savings are for increased child support collections for AFDC families and 40 percent for welfare savings due to increased collections for non-AFDC families.

CBO assumed that immediate wage withholding would increase CBO's baseline collections for AFDC and non-AFDC families by 5 percent in the first year, rising to 15 percent in the third year. These assumptions were based on data from Wisconsin on the cumulative average increases in child support collections following the implementation of immediate wage withholding in ten Wisconsin counties in 1984.

This provision would affect only new or modified child support awards. CBO estimated that collections from new or modified orders equal 65 percent of AFDC collections and 45 percent of non-AFDC collections. Both AFDC and non-AFDC collections were reduced by 15 percent to account for states that have already passed immediate wage withholding laws. Federal savings from the increased AFDC collections equal 29 percent of the new AFDC collections; this is the federal share after the \$50 disregard is given to families and states receive their share of collections and incentive payments. The estimated welfare savings for federal and state governments from increased non-AFDC collections equal 20 percent of new non-AFDC collections. These welfare savings (so-called cost avoidance) include savings in AFDC, Food Stamps, and Medicaid for families who avoid receiving such assistance because of income from child support collections. These estimated welfare savings were based on a study conducted by OCSE (Advanced Sciences, Inc. and SRA Technologies, *Estimates of Cost Avoidance Attributable to Child Support Enforcement*, June 1987). Small costs were added each year for administrative expenses associated with processing the withholding orders.

Child support guidelines.—Under current law, states must establish guidelines for setting amounts of child support awards. S. 1511 would make these guidelines binding on judges and other officials unless there was good cause for not applying the guidelines. In addition, child support awards for AFDC families would have to be reviewed and modified generally every two years, beginning no later than five years after enactment; awards for non-AFDC families would generally have to be reviewed every two years at the request of either parent.

The CBO estimate for mandating child support guidelines shows federal savings of \$25 million in 1990, rising to \$160 million in 1993. About two-thirds of the savings are for increased child support collections for AFDC families, and the remainder are for welfare savings due to increased collections for non-AFDC families.

Increased child support collections for AFDC families were based on an estimated \$600 per year increase in current collections per family, from \$1400 to \$2000 a year. This estimate was developed by the Department of Health and Human Services (DHHS) from information in several states that currently use guidelines. CBO estimated that 70 percent of the additional awards would actually be collected based on published Census Bureau data (*Child Support and Alimony: 1983*, Current Population Reports, Special Studies, Series P-23, No. 148, October 1986). These numbers were applied to projected new and modified orders for AFDC cases, rising from an estimated 695,000 in 1989 to 905,000 in 1993. Collections from the increased awards would build up over time as they affected more and more AFDC cases. Collections would be lost, however, as families left AFDC. CBO estimated that 73 percent, 53 percent, 43 percent, and 30 percent of the AFDC families would remain on AFDC in years one to four, respectively. These percentages were based on a study by David Ellwood and Mathematica Policy Research, Inc., for DHHS ("Targeting 'Would Be' Long-Term Recipients of AFDC," January 1986). Resulting savings were reduced by approximately one-half to allow for states that already use, or are expected to use, guidelines.

For estimates of collections from non-AFDC families, the procedures were much the same although specific parameters were often different. The estimate of increased awards—\$600—was retained, but 76 percent was estimated to be collected, based on the Census Bureau data cited above. New and modified orders were projected to rise from an estimated 530,000 in 1989 to 820,000 in 1993. The reduction in savings from non-AFDC cases over time was assumed to be 95 percent in year one and 80 percent by year four. No data exist on the time non-AFDC families spend in the CSE program but it seems reasonable to assume that stays are considerably longer than for the AFDC families, whose length of stay is discussed above. Welfare savings associated with the collection of child support for non-AFDC families were estimated to be 20 percent of the added collections.

The savings estimate by CBO included only savings for families with new or modified support orders, where costs of applying the guidelines would be insignificant. The bill also would require that existing awards be modified, although not until five years after enactment for AFDC families and only at the request of either parent for non-AFDC families. For non-AFDC cases, these modifications probably would increase costs because associated court costs are high. For AFDC cases, the potential would exist for greater savings. One study in New Jersey found significant savings from updating existing AFDC orders. On the other hand, some experts in the area of child support believe that states would not have the resources to alter existing orders on any significant scale without reducing other services. For purposes of this estimate, CBO assumed that any savings from modifying existing orders for AFDC families would be offset by costs for non-AFDC families.

Paternity establishment.—Another provision of the bill would require that states have a paternity establishment ratio of at least 50 percent or increase their paternity establishment ratio by 3 percent a year starting in 1991. The paternity establishment ratio is de-

defined as the number of children born out of wedlock to mothers using child support services and whose paternity has been established divided by the total number of children born out of wedlock to mothers using child support services.

CBO's estimated cost of mandating increases in paternity establishments declines from \$40 million in 1991 to \$15 million in 1993. CBO assumed that states would not meet the 50 percent paternity ratio during the projection period and, to comply with the law, would have to increase their paternity establishment ratio by three percent a year. CBO estimated that approximately 116,000 additional paternity establishments a year would fulfill the 3 percent ratio increase requirement.

Based on preliminary state-reported costs for 1987 and adjusting for inflation, each additional paternity determination was estimated to cost \$500 in 1991, rising to \$540 in 1993. Average child support collections were assumed to be \$900 per year for half the paternities established, with collections beginning one year after costs were incurred, and continuing for several years. Collection assumptions were based on information from state and local agencies and on a study by Edward Young (*Costs and Benefits of Paternity Establishment*, The Center for Health and Social Services Research, February 1985). CBO estimated that 85 percent of the new collections would be for AFDC cases and 15 percent for non-AFDC cases, following the relative numbers of AFDC and non-AFDC paternity determinations reported in 1986.

Automatic data processing.—Another provision would require most states to install an automatic data processing and information retrieval system (ADP). States would have to submit initial planning documents by October 1, 1990 and would have to have their systems completed by the date specified in the document, but no later than October 1, 2000. If a state could demonstrate to the Secretary that it had an alternative system that would substantially comply with the statutory requirements for ADP systems, it would be exempt from this requirement. Development of such systems is optional under current law. CBO estimates that over the five-year projection period federal expenditures for this provision would be \$25 million. The Administration has identified fourteen states that are not developing state-wide ADP systems that meet the applicable statutory and regulatory requirements for 90 percent funding. CBO assumed that only one of these states, California, would be eligible for the exemption from developing a statewide ADP system. According to CBO assumptions, all states that would implement ADP systems would have them operational five years after the initial planning documents were due. Most of the cost for these systems would fall evenly over the five-year period after the planning documents had been submitted. The cost for acquiring systems in these states was estimated by extrapolating from the costs for completed systems. The federal government would pay 90 percent of these costs. Increases in costs due to inflation were assumed to be offset by savings as a result of adaptations of systems from other states.

TITLE II—JOB OPPORTUNITIES AND BASIC SKILLS TRAINING PROGRAM (JOBS)

S. 1511 would establish a new work-related program for AFDC recipients, to be operated by state welfare agencies, and would repeal the Work Incentive Program (WIN). Non-exempt recipients, including those with children aged three or older (one or older at state option) would be required to participate in a work program as state resources permitted. States could offer a wide range of work-related activities, including training, various educational programs, Community Work Experience programs (CWEP), and job search. Prior to participation in a work program, assessment of participant skills would be required. At state option, employability plans could be developed for participants and written agreements between the state agencies and clients could be required.

Funding for these work-related programs would be provided under a capped entitlement, with federal dollars limited to \$500 million in fiscal year 1989, \$650 million in 1990, \$800 million in 1991, and \$1 billion a year thereafter. Spending on child care for JOBS participants, however, would be excluded from the cap. Funds under the cap would be allocated to states in amounts equal to their 1987 WIN allotment for the first \$126 million of federal spending. Additional funds would be allocated on the basis of each state's relative number of adult AFDC recipients.

The federal and state shares of total spending would differ by type of spending. For total spending based on the 1987 WIN allocation, the federal share would be 90 percent, and the state share 10 percent. For additional amounts of spending on jobs programs, the federal share would be at the Medicaid matching rate with a floor of 60 percent. However, for administrative costs of jobs programs, the federal share would be 50 percent (other than for costs of staff who worked full time on JOBS for which the federal share would be at the Medicaid matching rate). The federal share of child care spending would be at the Medicaid matching rate. The federal share would be reduced to 50 percent if states failed to spend at least 50 percent of their funds on certain target groups: parents under 24 who have not completed high school or who have little recent work experience and recipients or applicants who have received AFDC for any 30 of the preceding 60 months.

States would have to have an operational program no later than October 1, 1990. If states chose, however, they could take part in the program after regulations were proposed. CBO has assumed that 12.5 percent of state work-related spending would be covered under JOBS in 1989 and 67 percent would be covered in 1990.

Table 2 summarizes the effects of JOBS, as estimated by CBO. Federal costs would rise from \$38 million in 1989 to \$343 million in 1993 while savings would rise from \$5 million to \$175 million in 1989 to 1993, respectively. Net costs would rise to \$327 million in 1991 and then fall gradually as savings continued to build up over time. State costs would decline and welfare savings increase, so that over the 1989 to 1993 period, states would have net savings of \$478 million. Total net costs would rise to \$219 million in 1991, then fall fairly rapidly, and turn into small net savings by 1993.

TABLE 2.—ESTIMATED EFFECTS OF JOBS

	1989	1990	1991	1992	1993	Total 1989-93
[By fiscal year, in millions of dollars]						
Federal costs.....	38	262	392	413	343	1,448
Federal savings.....	-5	-25	-65	-125	-175	-395
Net Federal costs.....	33	237	327	288	168	1,053
State costs.....	-5	-38	-63	-68	-54	-228
State savings.....	(¹)	-10	-45	-80	-115	-250
Net State savings.....	-5	-48	-108	-148	-169	-478
Total costs.....	33	224	329	345	289	1,220
Total savings.....	-5	-35	-110	-205	-290	-645
Net total costs.....	28	189	219	140	-1	575
[By fiscal year, in thousands]						
Number of additional participants in Work Programs ^a	15	90	125	130	105	465
Number of families off of AFDC as a result of JOBS.....	(²)	5	10	10	10	35

¹ Less than \$500,000.² These are participants in work programs due to JOBS, and are additions to participants in work programs under current-law spending levels.^a Less than 500 families.

The additional spending on work programs under JOBS would permit 15,000 more AFDC recipients to be put through work programs in 1989 and more than 100,000 a year additional recipients to participate when the program was fully implemented (see Table 2). As a result of their participation in the work programs, an estimated 35,000 families would leave AFDC by 1993.

These estimates are complex and uncertain in a number of respects. The major uncertainties are noted in the discussion that follows. The basis of the estimates of costs is discussed first, followed by a description of the methodology used in estimating savings.

Estimated costs of JOBS follow from the increase in the federal share of spending on work-related programs. The federal share (on other than WIN-replacement spending) would be an estimated average 59 percent, compared to 50 percent under current law for work program expenses covered under AFDC and zero for expenses for education and training. CBO estimated what spending on AFDC work-related programs will be under current law. Given this spending, the increased federal share would result in savings to state and local governments. The question is to what extent states would use these savings to increase spending on JOBS as opposed to other uses. The more of these savings states would put into JOBS, the greater would be total and federal costs. Under the bill's language, states would have to maintain their spending at fiscal year 1987 levels. For remaining spending, CBO assumed that states would put one-half of their savings from the increased federal share back into the JOBS program. One-half is obviously a midpoint between the extremes of putting all or none of their savings back into JOBS. Moreover, it is consistent with the findings of a recent study on how states reacted to change in federal match rates on AFDC benefit levels (Edward M. Gramlich and Deborah S. Laren, "Migra-

tion and Income Redistribution Responsibilities," *The Journal of Human Resources*, Fall 1984).

Costs of the JOBS program are obviously quite sensitive to states' behavior. Federal costs (excluding any welfare savings) over the 1989 to 1993 period would be \$1.1 billion if the states put none of their savings back into JOBS other than what the maintenance of effort provision required, \$1.4 billion if they put one-half back as CBO assumed, and \$1.8 billion if they put all of their savings back. Total costs (federal plus state) would vary even more depending on states' reactions: \$0.7 billion if no savings were put back into JOBS, \$1.2 billion if one-half were put back, and \$1.8 billion if all were put back. In the first case, states would save \$0.4 billion and in the second \$0.2 billion. Net costs (costs after welfare savings) would not be as sensitive because the more total spending would increase, the higher welfare savings would be, offsetting some of the higher costs.

While the JOBS program would provide federal funds up to the entitlement caps noted earlier, CBO's estimated spending falls below those caps in every year. The estimated percentage of the capped amount that would be spent rises to around 80 percent in 1990 and 1991 and then declines to around 60 percent by 1993. The cap would constrain spending, however, because some states would receive less under the allocation formula applied to the entitlement caps than they would have received under an open-ended entitlement. Based on CBO's estimates of current-law spending (before any increases in spending resulting from the bill's effects), the allocation formula would reduce federal funds available to certain states by about \$450 million over the 1989-1993 period, primarily in 1990 and 1991. An estimated 80 percent of the reduced state funds would be California's, although the state would probably lose no funds after 1992. California is running the largest AFDC work program in the country—Greater Avenues for Independence (GAIN)—for which spending in their fiscal year 1988-89 is estimated to total \$408 million.

The estimated rise in total spending on work programs, after several adjustments, was then used to determine the number of new participants in work programs as a result of JOBS, which in turn helps to determine any savings in welfare resulting from that participation. The first adjustment was to reduce total spending available for placing participants in work programs by spending on assessments of participants. Based on data from California's GAIN program, CBO estimated that the cost of an assessment would be \$225 per participant, or about \$75 million to \$95 million a year in the aggregate. Available spending was further reduced by about \$35 million a year for child care for families with children under the age of six and for other work expenses. Child care for families with older children and transportation costs were included in the base cost of work programs discussed below.

To estimate the number of new participants in work programs, available spending was divided by an estimated cost per work program participant. The cost per participant was estimated to be about \$1390 in 1989 and \$1705 in 1993, as shown in Table 3. This average cost was based on estimated costs of an education and training program and of other types of work programs, such as job

search or CWEP. For purposes of the estimate, CBO assumed that one-third of participants would be in education and training programs and that two-thirds would be in other work programs. The percentage in education and training is somewhat higher than under current law because spending on education and training is not matched currently in the AFDC program.

TABLE 3.—ESTIMATED TOTAL COSTS PER JOBS PARTICIPANT ¹

[By fiscal year, in dollars]

	1989	1990	1991	1992	1993
Education and Training Programs.....	2,500	2,635	2,775	2,920	3,075
Other Work Programs	840	885	930	980	1,030
Average cost ²	1,390	1,465	1,540	1,620	1,705

¹ These costs do not include costs of assessments or extra child care for young children.

² Average costs assume 33 percent of participants would be in education and training and 67 percent would be in other work programs.

The basis of the estimated per participant costs for other work programs shown in Table 3 was published studies by the Manpower Demonstration Research Corporation (MDRC) of findings on AFDC work programs in selected states. These studies, which included both costs and savings, were based on an experimental design that compared persons assigned to work programs ("experimentals") with persons not in work programs ("controls"), permitting valid findings of the effects of the work programs. Final studies are available for programs in six states, or portions of states: Arkansas, California, Illinois, Maryland, Virginia, and West Virginia. CBO estimates were based on unweighted averages of costs or savings in five states, excluding West Virginia. West Virginia was excluded because its work program—participation in CWEP for a person's length of stay on AFDC—is not representative of the programs most other states provide; in addition, the unusually high unemployment rate in the state makes program savings unrepresentative. The MDRC findings on costs were adjusted in several ways. Most importantly, they were approximately doubled to convert them from costs per experimental to costs per participant. Based on the MDRC studies, it appeared that about one-half of experimentals were never placed in work programs. In addition, a small amount was added for registration costs (because the "control" group usually included such registration costs), and the estimates were adjusted for increases in prices or wages by the implicit GNP deflator for state and local purchases.

Estimated costs of education and training programs shown in Table 3 were based on an average of costs in three programs: the federal Job Training Partnership Act program (using costs for AFDC participants); the education and training portions of the Massachusetts Employment and Training (ET) Choices program for AFDC recipients; and the training portion of the Maryland AFDC program, as reported by MDRC.

As participants in work programs find jobs, are sanctioned (i.e., removed from AFDC for failing to participate in the work program), or leave the program rather than participate, savings accrue in welfare programs. Because savings for a single participant can continue for a period of years, aggregate savings for all partici-

pants build up over time. How fast they build up depends on assumptions made about the "decay" of savings, that is, about whether and how fast participants lose jobs or return to AFDC for other reasons. The CBO estimates assumed a decay rate of 15 percent a year, beginning in the fifth year after participation in the work program. Savings in the first four years were reported in several MDRC studies and any decay was already incorporated in them.

The CBO estimates included savings in AFDC benefits and administration, in Food Stamps, and in Medicaid benefits and administration. Unlike the MDRC studies, no savings were shown for increased revenues—income tax or Social Security tax—because these work-related programs would probably not result in the creation of any new jobs.

Savings per participant (federal and state) are shown in Table 4. As with costs, they were based on the MDRC findings. For AFDC and Food Stamp benefits, savings per experimental were reported in the MDRC studies. These numbers were approximately doubled to adjust from per experimental to per participant (as discussed above for costs), and inflated over time by the rate of increase in average benefit levels in the two programs. Another adjustment was made to deal with estimating savings for education and training programs. The state programs studied by MDRC included virtually no education and training. There are, in fact, no pertinent studies of the effects of education and training programs on welfare benefits. Because CBO did not want to influence comparisons of different bills with different mixes of training and other work programs in the absence of any valid data, it was assumed that savings per dollar spent on work programs would be kept the same for training, education, and other work programs. Thus, to estimate savings for education and training programs, reported savings for other work programs were increased by three (the ratio of per participant costs for education and training programs to costs for other work programs).

TABLE 4.—ESTIMATED TOTAL SAVINGS PER JOBS PARTICIPANT ¹

[By fiscal year, in dollars]

	1989	1990	1991	1992	1993
AFDC Benefits.....	320	330	345	355	370
AFDC Administration	45	45	45	45	50
Food Stamp Benefits.....	65	70	70	75	80
Medicaid.....	100	110	120	130	140

¹ Savings are for the fourth year after participation. Savings in the first through third years after participation are usually higher.

Estimated savings for AFDC administration and for Medicaid were based in part on the MDRC findings. MDRC reported the percentages of experimentals who left AFDC: 2.3 percent in the first year after participation, 3.1 percent in the second year, 2.8 percent in the third year, and 2.4 percent in the fourth year. Adjusted as above by approximately doubling and inflating for the share in education and training, the CBO estimate was 6.7 percent, 9.0 percent, 8.1 percent, and 7.2 percent in years one to four, respectively. For each family off of AFDC—a small proportion of participants—administrative savings were calculated to be \$620 in 1989 and \$660

in 1993. Also, for 65 percent of the families off of AFDC for about a year or longer, Medicaid savings would accrue. For those families who would lose Medicaid, annual savings (federal and state) were estimated to be \$2120 in 1989 and \$2970 in 1993. Aggregate federal savings for AFDC, Medicaid, and the Food Stamp program are shown in Table 1.

TITLE III—TRANSITIONAL ASSISTANCE

Child care.—The bill would require states to provide child care assistance for nine months to families who leave AFDC because of increased earnings. States would determine the payment levels and funding mechanisms for providing such assistance. They would also set schedules for co-payments, based upon the family's ability to pay. The transitional child care program would begin in fiscal year 1990, with estimated costs of \$110 million. Federal costs are estimated to rise to \$170 million in 1993.

The 1993 child care estimate was the product of: 650,000 eligible children, a 36 percent participation rate, average costs of \$137 per month for nine months, and an average 55 percent federal match rate. Also, \$10 million was added to this product, reflecting the costs of transitional child care assistance for graduates of work and training programs. Key elements of the estimate are summarized in Table 5 and discussed below.

TABLE 5.—BASIS OF CHILD CARE TRANSITION ESTIMATE (1993)

	Children under age 6	Children aged 6–14	Total children
Eligible children	260,000	390,000	650,000
Participation rate (in percent)	68	16	36
Monthly costs (in dollars)	\$149	\$105	\$137
Annual Federal costs (in millions of dollars) ¹	\$130	\$30	\$160

¹ Federal costs are based on 9 months of care at a 55-percent Federal match rate. In addition to these costs, another \$10 million is included for families leaving AFDC after participation in the JOBS program.

Eligibility would be restricted to families leaving the AFDC program because of increased earnings or a loss of earnings disregards. Although many families exiting AFDC have some earnings, the principal reason for leaving welfare is often the marriage of the female-head, or another change in family composition. One study estimated that 20 percent to 40 percent of the families exiting AFDC left because of increased family earnings (David Ellwood, "Working Off of Welfare: Prospects and Policies for Self Sufficiency of Women Heading Families," Institute for Research on Poverty, Discussion Paper No. 803-86, March 1986).

Based on this research and on AFDC program statistics, CBO estimated that one-fourth of the 1.9 million families leaving AFDC annually exited because of increased earnings or a loss of the earnings disregards. The estimate of families eligible for transitional child care assistance was reduced because some families return to AFDC shortly after exiting. The estimate was further reduced because families are limited to nine months of transitional care in a three-year period. After these adjustments, a total of 388,000 fami-

lies were estimated eligible for transitional child care in 1993. These families were estimated to have an average of 1.68 children under age 15, or a total of 650,000 children. Children ages 15 to 18 were assumed to use an insignificant amount of child care.

Of the 650,000 eligible children, 40 percent were estimated to be children under age 6 with greater child care needs than school-age children. AFDC caseload statistics report a higher percentage of children under age 6, but CBO assumed that families working off of AFDC have fewer young children than families remaining on AFDC.

The estimate assumed a 36 percent participation rate in 1993. That is, only 36 percent of the eligible children were estimated to receive government-paid child care assistance, with the remaining 64 percent assumed to be in informal and unpaid child care arrangements. Many more children under age 6 were estimated to be in paid care arrangements (68 percent) than children aged 6 to 14 (16 percent). These estimates were based on CBO analysis of data in three Census Bureau studies of child care arrangements of working mothers ("Who's Minding the Kids: Winter 1984-85," Series P-70, No. 9; "After-School Care of School-Age Children: December 1984," Series P-23, No. 149; and "Child Care Arrangements of Working Mothers: June 1982," Series P-23, No. 129).

The CBO analysis focused on child care arrangements of single mothers. Over half (54 percent) of the children under age 6 were cared for by non-relatives, with a significant proportion (40 percent) cared for by relatives, and only a few (6 percent) cared for by parents, siblings, self, or school. This pattern of arrangements led to an estimate of 65 percent in paid care, because most of the non-relative care and slightly under half of the relative care were paid child care arrangements. In contrast, less than one-fourth of the children aged 6 through 14 were cared for by non-relatives or relatives (11 percent and 12 percent, respectively), with the remainder (77 percent) cared for by siblings, parents, self, or school. This pattern of arrangements led to an estimate of only 15 percent in paid care, again because most non-relatives and less than half of the relatives were paid. Overall, 35 percent of children were estimated to be in paid child care, with this percentage estimated to rise to 36 percent in 1993, because of historical trends toward greater use of centers and other more formal child care arrangements.

Basing the participation rate for transitional child care assistance on current patterns of paid and unpaid child care arrangements could underestimate costs to the extent that the existence of new subsidies would cause an increase in the demand for paid care. However, there is little evidence of such a shift in states currently offering subsidies. On the other hand, this participation rate could overestimate costs to the extent that families with paid child care costs would not apply for government assistance.

Monthly costs were estimated to average \$137 per month in 1993, or \$149 for the 176,000 participating children under age 6, and \$105 for the 61,000 participating children aged 6 to 14. These costs were based on 1988 costs of \$119 and \$84, respectively, adjusted for a 4.5 percent annual inflation rate. Costs for the younger children in 1988 include child care costs of \$171, less a family co-payment of

\$52. Costs for older children include child care costs of \$116, less a family co-payment of \$32.

Estimated child care costs are lower than commonly quoted market rates of \$200 to \$300 per month because of the effects of below-market-rate care and state-set maximum reimbursements. Median child care expenditures were only \$169 monthly for all women and \$158 for single women during the winter of 1984-85, based on Census Bureau data for employed mothers paying non-zero amounts for care for one child under age 15 ("Who's Minding the Kids," op. cit.) This level is below quoted market rates because child care encompasses many types of care, including part-time care, care in subsidized settings, are in family day care homes (many of which are unlicensed and not included in surveys of market rates), and care by relatives (who are generally paid less than other providers).

These data were combined with state estimates of child care costs in four work/welfare programs and a CBO estimate of average costs under existing state programs for subsidized child care. State work program data was adjusted considerably because three of the states (California, Massachusetts, and New York) pay much higher than average rates for subsidized child care, and the fourth state (Michigan) pays lower than average costs. Average rates for existing subsidized child care were calculated from the Children's Defense Fund's compilation of state maximum rates for preschool care. These maximums ranged in 1987 from \$95 per month for family day care homes in Alabama to \$396 per month for centers in California. States were assumed to limit payments for transitional child care to the same maximums as existing subsidized care programs, even though these maximums are sometimes below local market rates.

These various data sources were averaged to estimate 1988 costs of \$171 monthly for children under age 6, before deducting the family co-payment. School-age costs were estimated as \$116 monthly, or about two-thirds of the costs for preschool care. Cost differences among school-age, infant and preschool care were based on a California survey of licensed care costs by age group. School-age costs assumed nine months of part-time care (20 hours per week) and three months of full-time care.

Monthly co-payments were estimated as averaging \$52 for children under age 6 and \$32 for children aged 6 through 14. Scarcity of earnings and income data for former AFDC recipients, and variations in state schedules for co-payments make these estimates quite uncertain.

The family's estimated ability to pay was based on earnings information from the Ellwood research cited above, wage rates from AFDC employment programs as reported by the General Accounting Office, an adjustment for the estimated relationship between earnings and income, and state-by-state estimates of income levels at which AFDC eligibility ends. These data were used to form an income distribution with mean earnings of \$750 monthly and mean income of \$970 monthly.

State schedules for co-payments were assumed to follow existing sliding-fee scales for child care assistance. Schedules collected from a dozen states varied dramatically, with monthly co-payments for a

family of three with a \$970 monthly income and one child in care varying from no cost in California and the District of Columbia, to \$41 to Maryland, \$81 in Kentucky, \$103 in Oklahoma, and full cost in Alabama. CBO estimated that on average co-payments were slightly over 5 percent of family income, rising from 1 percent when family income is under \$600 monthly to 9 percent when family income is over \$1400 monthly. State policies regarding the cost of a second child in care varied from no additional cost to full cost. CBO estimated that co-payments for a second child in care would average half as much as for the first child.

Medicaid.—The bill would provide Medicaid for up to 12 months to families who left AFDC because of increased earnings or a loss of earnings disregards. The first 6 months of Medicaid benefits would be without a charge to recipients but the second 6 months would be subject to a mandatory premium paid by recipients and set by states. Recipients with incomes below the poverty threshold could not be charged a premium; those with incomes above the poverty threshold would be charged a premium no higher than three percent of their gross incomes. This provision is estimated to cost \$25 million in 1990 and \$120 million in 1993.

CBO's estimate was calculated in two steps. The costs of providing the additional Medicaid—the basic benefits—were estimated first, ignoring the effects of any premiums. Then the effects of premiums on revenues and participation were estimated. Each step is discussed in turn.

CBO estimated that the number of families who would receive the extended Medicaid after leaving AFDC would be about 425,000 to 475,000 each year beginning in 1991. As discussed above some 1.9 million families leave AFDC each year (not counting those families who leave because their youngest child is too old to be eligible for AFDC), and CBO estimated that 25 percent of these families would leave AFDC because of increased earnings or loss of the earnings disregards (as discussed above), making them eligible for the transition benefits. This estimate was increased by the number of families who were estimated to leave AFDC because of the bill's work and training program and by the number of new two-parent families leaving AFDC each year with the bill's mandating of the AFDC-Unemployed Parent program in all states. Some of the families who would receive transition benefits would have received Medicaid anyway under medically needy or other current-law extensions of eligibility.

Medicaid costs for these families would depend on whether they had private health insurance through their jobs or from some other source. Based on data from the Current Population Survey—a household survey of the Bureau of the Census—CBO estimated that 55 percent of the families leaving AFDC because of increased earnings would have access to health insurance. Data do not exist on Medicaid costs for those with private health insurance. CBO assumed that 85 percent of these families would retain Medicaid (at least until the premium was due) and that their Medicaid costs would be one-third of "full" costs. Medicaid costs per family (for those without health insurance) were estimated to be \$2120 in 1989 and \$2970 in 1993. Because the adult in these families would be working, and presumably healthy, CBO has assumed that the fami-

ly's Medicaid costs would be only 80 percent of average Medicaid costs, based on discussions with health experts. Costs were reduced to account for recidivism and limitation of coverage to 12 months in any 36-month period.

Current-law Medicaid costs for families leaving AFDC were subtracted from the costs of the Medicaid extensions. Under current law, those who leave because their hours of work or their earnings increase receive Medicaid for four months. Those who leave because they lose the \$30 and one-third earnings disregard after they have worked for 4 or 12 months receive Medicaid for 9 months and at state option for another 6 months. Further, some families qualify for Medicaid under medically-needy provisions. For purposes of this estimate, CBO calculated that 35 percent would qualify for medically-needy benefits after their regular Medicaid benefits were exhausted. Current-law costs were increased slightly to account for legislation in recent years that extended Medicaid to low-income pregnant women and young children, and were reduced to allow for recidivism. Federal costs of the basic benefits before any premium offsets are estimated to rise from \$35 million in 1990 to \$145 million in 1993.

Estimated premium collections rest on two basic assumptions: the levels at which premiums would be set by the states and the participation rates of families who would be required to pay the premiums. Almost 40 percent of eligible families would have the premium waived because of the legislated exemption for those whose gross incomes would be below the poverty level. For the remaining 60 percent whose gross incomes would be above the poverty level, states would have to collect a premium of no more than 3 percent of gross income from participants during the 7th through the 12th month of the benefit extension period.

Incomes of families after stays on AFDC were estimated as discussed above for transitional child care assistance. The total amount of premium revenue was estimated to amount to about two-thirds of the maximum allowable (for those willing to pay) if all states applied the 3 percent formula for setting premiums. The resulting monthly premiums would start at about \$18 per month and would rarely exceed \$60 per month. The amount that CBO estimated would be collected would offset less than 10 percent of the total costs incurred for medical care for those participating. In the aggregate, premiums to the Medicaid program are estimated to total \$5 million per year from 1991 through 1993.

In addition to generating revenues, premiums are likely to deter some eligible families from acquiring this extended Medicaid benefit. Those who would choose not to pay the premium would lose eligibility and generate no program costs. This effect was calculated separately for those with health insurance and those without health insurance, since it is reasonable to assume very different behavior in these two groups.

There is little evidence on this question, and CBO assumed that of those without health insurance who are charged a premium for the extension, about 60 percent would choose to pay the premium. For those with health insurance who are charged a premium, CBO assumed that only about 10 percent would pay the premium, in part because Medicaid benefits would probably not be significantly

better than most of the health insurance policies to which it would be secondary payer. Further, CBO assumed that those families who chose to pay the premium would have higher medical care costs on average than those who chose not to pay the premium. Reduced federal costs from lower participation as a result of the premium are estimated at \$5 million in 1991 and \$25 million in 1993.

TITLE IV—CHILD SUPPORT SUPPLEMENT AMENDMENTS

AFDC-Unemployed parents (UP).—The major provision in this title would require all states to provide AFDC benefits to two-parent families where the principal earner is unemployed, effective October 1, 1990. At the present time, 23 states do not provide such benefits.

States would be given the options to limit cash assistance to a period of no less than 6 months in any 12-month period; to require participation in work-related activities by one or both adults; and to pay benefits only after performance in the work-related activity. If a state were to limit the length of AFDC assistance, it would be required to provide Medicaid for all children up to age 18 as long as the family was otherwise eligible for assistance; currently, children through age 6 are covered. At state option, adult family members could be covered.

CBO estimates that this provision would bring 65,000 additional two-parent families onto AFDC. Costs are estimated to rise from \$305 million in 1991 to \$346 million in 1993, including resulting Medicaid costs and Food Stamp savings.

For purposes of the estimate, CBO assumed that all of the states that do not currently have an AFDC-UP program would limit benefits to six months, but that no states with a current AFDC-UP program would do so. The estimate was based on simulations from the 1985 TRIM model, developed by the Urban Institute. The model is based on data from the Current Population Survey (CPS), and compares legislative changes to AFDC current law. After adjustments to the model's findings, 130,000 families were estimated to be newly eligible for AFDC. Two adjustments were made. The first reduced estimated eligibles by 22 percent, which equals the decline in the existing AFDC-UP caseload between 1985 and 1991. The second raised estimated eligibles by 48 percent to allow for an increase in the TRIM model's estimates of mandating AFDC-UP between the 1985 and 1986 versions of the model. Of the eligible families, CBO estimated that 55 percent would participate—a participation rate slightly below that in states that currently have an AFDC-UP program. Average monthly benefits from TRIM were increased based on benefit increases in CBO's baseline. To these increased benefit costs, CBO added AFDC administrative costs for the new families, averaging \$645 per family in 1991 and \$660 in 1993.

For the work-related options given to states, CBO estimated savings of \$10 million in 1991 and \$25 million a year thereafter, and a decline in participants of around 5,000 a year. These savings were based on a rough rule of thumb that one-third of the newly-mandated states would adopt these options. Gross savings from the options were estimated to be 30 percent of the costs of mandating AFDC-UP, based on a 1987 evaluation of a similar program in the

State of Utah (Frederick V. Janzen et al., *The Social Research Institute, University of Utah, Emergency Welfare Work and Employment: An Independent Evaluation of Utah's Emergency Work Program, Final Report*, June 1987). Estimated costs of work-related programs were subtracted from these gross savings to provide an estimate of net savings.

The cost in Medicaid of extending benefits to older children after the family was removed from AFDC due to the six-month limit would be an estimated \$5 million in 1991 and \$25 million a year in 1992 and 1993. By 1993, 45,000 children were estimated to be affected. Per capita Medicaid costs for these children were estimated to be around \$495 in 1993, a lower cost than for all children because health care costs of older children are lower. Costs for including adults, a state option, were estimated to be less than \$5 million a year.

Minor parents.—S. 1511 would provide that an unmarried minor parent would have to live with a parent, legal guardian, or under other adult supervision in order to receive AFDC. Estimated savings in AFDC and Medicaid are \$28 million or \$29 million each year. CBO estimated that of the approximately 50,000 minor parents receiving AFDC in any month, 15,000 would be affected by this provision. The counting of the grandparents' income would reduce AFDC benefits to most of these affected minor parents and remove the remainder from AFDC.

TITLE V—DEMONSTRATION PROJECTS

Title V of S. 1511 would provide for a number of specified demonstration projects. The estimated costs of each project are shown in Table 1. Together, the projects would cost \$6 million in 1989 and \$18 million in 1993. All but one of the demonstrations would require appropriation action. Outlays were estimated using the spend-out rate for existing AFDC demonstration projects: 20 percent in year 1, 78 percent in year 2, and 2 percent in year 3.

TITLE VI—PAYMENTS TO TERRITORIES

This title would extend AFDC and other programs to American Samoa, providing up to \$1 million a year at a federal match rate of 75 percent. Also, the limits on existing payments to Puerto Rico, Guam, and the Virgin Islands would be increased by \$11 million a year.

TITLE VII—WAIVER AUTHORITY

This title would provide broad waiver authority that would allow states to operate demonstration projects affecting a number of welfare programs. The Secretary of DHHS would have to approve each state's application. No more than 50 demonstrations could be conducted at any one time. Funding of the demonstration projects would not require any significant increase in federal funds.

TITLE VIII—ADMINISTRATION

Fraud units.—S. 1511 would require states to set up fraud units to review eligibility at the time of a family's application for AFDC benefits. This provision is estimated to cost \$5 million in 1990 but

to save thereafter—an estimated \$60 million in 1993. The provision costs money in 1990 because savings, based on families applying for AFDC over the course of a year, are for an average half year while costs are at a full-year rate.

The magnitude of any savings from these pre-eligibility fraud detection programs is very uncertain. No studies exist that compare applicant denials or withdrawals after applications are referred to the fraud units with what these denials or withdrawals would have been in the absence of the fraud units, that is, with that the eligibility workers would have detected on their own. Moreover, studies of these pre-eligibility fraud units have found very different benefit to cost ratios: around 4.5 in 1 in Florida and from 17 to 34 to 1 in California. In general, CBO based its estimate on savings and costs of the Fraud Early Detection/Prevention (FRED) program in effect in about 23 California counties. Data for Orange County, California, were the most extensive and they were generally used with adjustments based on data from the other 22 California counties with FRED (Department of Social Services, California, "Legislative Report on the Early Fraud Prevention/Detection Program," February 5, 1986 and March 15, 1988; Arthur Young, *Report on the Financial Impact of the Orange County Early Welfare Fraud Detection/Prevention Program*, December 1984). Reported savings and costs of FRED were then adjusted for a variety of factors.

The estimate of costs started with reported costs of the FRED program in Orange County, California, in fiscal year 1983-1984, increased them to U.S. totals and then to 1990 price levels by CBO projections of the implicit price deflator for state and local purchases. Orange County costs were reduced by 25 percent to allow for the fact that Orange County referred a higher proportion of applications to the fraud unit than other California counties did, and by another 8 percent to remove costs of cases that received only Food Stamps. Costs were then allocated between the AFDC and Food Stamp programs by the share of AFDC to Food Stamp fraud referrals based on data for the 23 California counties. The federal share of costs in the Food Stamp program is 75 percent and in AFDC is estimated to be 62.5 percent (one-half of spending at a 50 percent federal share and one-half at a 75 percent federal share).

Gross savings were based on an estimated reduction in the AFDC caseload of 25,000 families as a result of this legislation. This estimate was developed as follows. Orange County in 1983 had a rate of fraud detection as a percent of its caseload 5.2 percentage points above other California counties that had adopted FRED.¹ This number was reduced to 2.6 percentage points because the pre-eligibility fraud units in other California counties and in Florida were less active. The California counties had a ratio of fraud unit referrals to applications only 75 percent of Orange County's, and had a ratio of denials/withdrawals to referrals of only 67 percent of Orange County's. The number was then cut in half to allow for the assumption that a number of the denials due to fraud would have taken place anyway—because the eligibility workers would have denied them, because some applicants would withdraw on their

¹ While we use the term fraud detection following the California studies, some of the cases may not represent fraud in any criminal sense.

own, and because some families would probably reapply. In addition, studies of the FRED program show a successful reapplication rate among families originally denied benefits by the fraud units of 17 percent, and the number was reduced for this effect.

Both savings and costs were reduced by 25 percent to allow for states and counties that already have or would have a program. This estimate assumed that the California legislature would adopt the program that it is currently considering. Savings and costs were reduced further to exclude all of the AFDC caseload in rural areas and one-half of the caseload in urban counties not in SMSA's because officials of fraud units believed that the program would not be cost effective for small welfare offices.

Savings for the 25,000 families off of AFDC were based on an assumed 12 months of AFDC receipt. The 12 months coincides with the mandatory face-to-face recertification period in AFDC, but is less than the average number of months a family typically receives AFDC. Typical Medicaid savings for a family losing AFDC were reduced by 25 percent on the assumption that some of the families might qualify for Medicaid as non-AFDC families or have private health insurance, which would reduce their health care costs. Food stamp savings were based on an estimated 80 percent of the families' losing AFDC also losing food stamps.

TITLE IX—TAX PROVISIONS

IRS refund offset. S. 1511 would extend permanently the authorization for the Internal Revenue Service (IRS) refund offset program. This program allows the IRS to withhold refunds from taxpayers who are delinquent in repaying debts owed to the federal government. However, under current law the program will expire on July 1, 1988. Reauthorizing this program would allow the government to recover amounts that otherwise would go uncollected, saving an estimated \$400 million a year. These amounts are counted on the spending side of the budget, either as offsetting collections or offsetting receipts.

Because the IRS refund offset is only a pilot program, historical data for estimating receipts are limited. This estimate of \$400 million in collections is based on a number of assumptions. In the first two years of the program (calendar years 1986 and 1987), the IRS collected \$200 million and \$325 million, respectively. We expect collections for fiscal year 1988 to be even higher because collections for this year (as of May 6, 1988) are already about \$270 million, slightly more than at the same point in 1987. In addition, refund offsets for Department of Education loans, which historically have accounted for at least half of the total offsets, are estimated to be close to \$200 million in 1988. Thus, we expect total collections to approach \$400 million in 1988. Estimates for future years are uncertain. For some loan programs, refund offsets are expected to decline as the pool of uncollected delinquent debt is exhausted. In other loan programs, however, the amount of delinquent debt is expected to continue rising, thereby assuring expanded use of the refund offset. Reflecting these opposing trends, CBO has estimated that collections will remain about \$400 million a year throughout the 1989-1993 period.

Revenue provisions.—Title IX also includes two revenue provisions. The first would phase out the dependent care credit by one percentage point for each \$1,250 by which the taxpayer's adjusted gross income (AGI) exceeds \$70,000. The phase-out would have the effect of eliminating the credit when the taxpayer's AGI exceeds \$93,750. The revenue effects of the phase-out are based on historical information from the IRS about the number of taxpayers claiming this credit, the incomes and other tax-related characteristics of these taxpayers, and the amount of credits they claim. These factors are projected to future years using assumptions about income growth, labor market increases, and tax law changes.

The second provision would require that taxpayers report the taxpayer identification numbers of all dependents at least two years of age for whom they claim an exemption. Under current law, taxpayer identification numbers must be reported for dependents who are at least five years of age. The Joint Committee on Taxation has provided the revenue effects of Title IX, which are shown in Table 6.

TABLE 6.—REVENUE INCREASES IN TITLE IX (TAX PROVISIONS)¹

(By fiscal year, in millions of dollars)

	1989	1990	1991	1992	1993
Phase Out Dependent Care Credit.....	17	173	188	206	228
Report taxpayer identification numbers for dependents 2 to 5 years of age.....	(²)	(²)	(²)	(²)	(²)

¹ This table does not include offsetting receipts from the IRS debt collection provision, because these receipts are accounted for on the spending side of the budget.

² Revenue increases of less than \$10 million.

6. Estimated cost to State and local Governments: State and local governments would have estimated savings of \$2 million in 1989 and \$22 million in 1990, costs of \$160 million in 1991 and \$32 million in 1992, and savings of \$69 million in 1993. Costs would increase with the mandating of AFDC-UP in 1991 and then decline with rising savings from the child support provisions and the JOBS program. Over the five-year period, S. 1511 would cost states an estimated \$99 million. Costs are shown by title and program in the accompanying table.

ESTIMATED BUDGETARY EFFECTS ON STATE AND LOCAL GOVERNMENTS

(By fiscal year, in millions of dollars)

	1989	1990	1991	1992	1993	Total 1989-93
Title I—Child Support:						
FSA.....	-1	-36	-86	-186	-281	-590
Medicaid.....		(¹)	-5	-15	-25	-45
Subtotal.....	-1	-36	-91	-201	-305	-635
Title II—JOBS Program:						
FSA.....	-4	-41	-86	-121	-131	-383
Medicaid.....	(¹)	(¹)	-10	-15	-25	-50
WIN.....	-1	-7	-12	-12	-13	-45
Subtotal.....	-5	-48	-108	-148	-169	-478

ESTIMATED BUDGETARY EFFECTS ON STATE AND LOCAL GOVERNMENTS—Continued

[By fiscal year, in millions of dollars]

	1989	1990	1991	1992	1993	Total 1989-93
Title III—Transitional Assistance:						
FSA.....		60	90	90	90	330
Medicaid.....		25	95	95	95	310
Subtotal.....		85	185	185	185	640
Title IV—Child Support Supplemental Amendments:						
FSA.....	(¹)	-15	107	110	115	317
Medicaid.....		-7	102	123	139	357
Subtotal.....	(¹)	-22	209	233	354	674
Title V—Demonstration Projects:						
FSA.....	(¹)	(¹)	(¹)	2	3	5
Medicaid.....			1	2	5	8
Subtotal.....	(¹)	(¹)	1	4	8	13
Title VI—Payments to Territories: FSA.....	4	4	4	4	4	20
Title VII—Waiver Authority.....	(¹)	(¹)	(¹)	(¹)	(¹)	(¹)
Title VIII—Administration:						
FSA.....		-5	-30	-30	-30	-95
Food Stamps.....		10	10	10	10	40
Medicaid.....		-10	-20	-25	-25	-80
Total.....		-5	-40	-45	-45	-135
Total:						
FSA.....	-1	-33	-1	-131	-230	-396
Food Stamps.....		10	10	10	10	40
Medicaid.....	(¹)	8	163	165	164	500
WIN.....	-1	-7	-12	-12	-13	-45
Total.....	-2	-22	160	32	-69	99

¹ \$500,000 or less.

The Child Support Enforcement provisions of Title I would save states substantial sums, rising to an estimated \$306 million in 1993. About 60 percent of the savings in 1993 would occur because of the mandating of the use of guidelines in child support awards and another 33 percent because of the requirement for immediate wage withholding. State savings from these changes would be much greater than federal savings. The federal government now pays 68 percent of the state costs of CSE and recoups only 29 percent of any increased AFDC collections while states recoup 49 percent with the remainder (up to \$50 a month) retained by AFDC families. The federal share of collections is reduced by incentive payments made to the states. While most states would share in the estimated savings for the CSE provisions, those states who already require the use of guidelines or immediate wage withholding would not.

Title II, initiating the JOBS program, would also save states money—an estimated \$478 million over five years. As noted earlier, state costs of work-related programs would decline with the increase in the federal match rate, and they would also share in the savings in AFDC and in Medicaid as new work program participants acquired jobs and moved off of welfare. Because Food Stamps

is a fully federally-funded program, states would not share in any benefit savings. Not all states would share equally in these savings. Those states with the largest work-related programs currently in place—such as California and Massachusetts—would save the most.

The transitional assistance provided in Title III would cost states an estimated \$640 million over five years. About one-half of these costs are for child care assistance and one-half for Medicaid assistance. In both programs, states would pay their regular share of AFDC and Medicaid costs, averaging about 45 percent for all states. The state cost of a mandatory program for transitional child care assistance was reduced by \$50 million annually because several states have already chosen to fund some transition assistance.

States would also incur costs from the major change made in Title IV—mandating of the AFDC-UP program. Some 24 states do not currently provide such benefits. For these states, costs in AFDC and Medicaid are estimated to be \$220 million, \$240 million, and \$260 million in fiscal years 1991 to 1993, respectively. Other provisions in Title IV would save states money on balance.

Titles V and VI would have a small effect on states and would cost the territories \$4 million a year to match the increased federal payments provided by S. 1511.

The requirement in Title VIII for states to set up pre-eligibility fraud units would save states an estimated \$135 million over five years.

7. Estimate comparison: None.

8. Previous CBO estimate: None.

9. Estimate prepared by: Janice Peskin, Julia Isaacs, Richard Curley, Alan Fairbank, Don Muse (226-2820), Jim Hearn (226-2860), Marianne Page, Rick Kasten (226-2720), and Chris Ross (226-2650).

10. Estimate approved by: C.G. Nuckols for James L. Blum, Assistant Director for Budget Analysis.

ADDITIONAL VIEWS OF MESSRS. ARMSTRONG AND ROTH

Congress is poised to make another well-intentioned but seriously flawed effort to reform our nation's troubled welfare system.

We do not support passage of S. 1511 in its present form. While touted as "reform", the bill will do little more than boost welfare spending by \$2.8 billion and perpetuate the cycle of dependency. It will expand welfare benefits and welfare rolls. It will create new incentives for families to go on welfare, and worsen the disincentive to stay on because it "pays" more than work.

Before it is worthy of the label "reform", S. 1511 is in need of substantial improvement.

WORK TRAINING PROGRAM

S. 1511 establishes a new "JOBS" program to provide education training, and work for welfare recipients. Funding for JOBS, which would replace the Work Incentives program (WIN), would reach \$1 billion per year. While such a program could play a key role in ending dependency, this one contains some major flaws.

First, the program fails to include "participation rates" to ensure that a minimum number of welfare recipients will benefit from JOBS. While the bill purports to require participation in the program, states retain considerable discretion on how to spend JOBS money and may select activities which limit resources to a small number of welfare recipients. Minimum participation rates will provide an incentive to make JOBS available to a broader cross-section of the welfare population, especially those with low skills. Absent such rates, states may devote JOBS resources to those most able to leave welfare and least in need of the program.

The second major flaw in JOBS is that states would not have to provide any significant work-related activity, such as work-for-welfare or job search. States could allow welfare recipients to participate in JOBS through any form of education, from high school to post-secondary. The program will become a major new source of Federal education assistance, further supplant local responsibilities, and duplicate existing Federal programs. Rather than training individuals to leave welfare for work, JOBS may entice some to go on the rolls to reap significant education benefits. That's not only a bad incentive, but unfair to low-income, non-welfare families not receiving such broad assistance.

MINIMUM COMPENSATION

S. 1511 would also enshrine the disincentive for people to stay on welfare because it "pays" more than work. Under JOBS, states may not require an individual to accept a job if it results in a net loss of all income, including the value of Food Stamps and Medicaid, unless the state provides a supplementary benefit. This sharp-

ly expands current law which provides that a recipient cannot be required to work at less than AFDC cash benefits.

This provision makes welfare an acceptable economic choice and severely undermines the value of work in promoting personal responsibility and independence. In some states, this provision would mean a welfare recipient could reject a job unless it paid almost twice the minimum wage. It is unreasonable to assume everyone on welfare can initially attain something markedly better than entry level jobs, and therefore should be allowed to refuse them.

MANDATORY AFDC-UP

S. 1511 takes another major step back from real reform by mandating the AFDC-UP program. States now have the option of providing AFDC cash benefits to two-parent families where the principal earner is unemployed.

The Administration estimates that mandatory UP benefits will add 90,000 families to the welfare rolls at a cost of \$1.1 billion to the Federal government and \$600 million to the states over five years. The rationale for UP—that AFDC is needed to keep families intact—is much in dispute, and several studies conclude the opposite is true. The Seattle/Denver Income Maintenance Experiment [SIME-DIME] concluded that guaranteed household incomes “dramatically increased the rates at which marriages dissolved among blacks and whites.”

Other scholars disagree. States are now free to choose which policy is right for them. 26 states, some facing high unemployment, have enacted AFDC-UP. 24 others have chosen not to. Until the need is more certain on a national basis, Congress should not force this cost on states that think it is bad policy.

HIGHER WELFARE SPENDING

The Congressional Budget Office estimates S. 1511 will increase Federal welfare expenditures by \$2.8 billion over five years. The Administration puts the total increase at \$3.5 billion. This new spending would be financed in part by raising taxes on some working mothers: the bill phases-out the dependent child care tax credit for those earning over \$70,000.

The Administration also estimates the bill would increase state welfare costs by \$1.6 billion over five years. A major source of higher state costs are proposed “transition benefits” for families leaving AFDC. The bill requires states to provide child care for 9 months for those no longer eligible for AFDC. This benefit would be an open-ended entitlement, not limited by funds available under JOBS. The Federal government would match state payments up to \$160 per month per child.

The bill also requires states to provide 12 months of Medicaid to families no longer eligible for AFDC. Current law already requires states to provide 4 to 9 months of Medicaid, and up to 15 months at state option for some families.

The Administration estimates these two transition benefits would cost the Federal and state governments \$700 million each over five years, and keep 500,000 families on public assistance. Only former AFDC families would receive these benefits, not other

poor families. Again, this inequity may induce some to join the welfare rolls.

CHANGES NEEDED

We hope our colleagues will consider several important changes to S. 1511 when it comes before the Senate:

The JOBS program should ensure a minimum percentage of participation by welfare recipients and direct states to offer work activities such as work-for-welfare and job search.

Disincentives to remain on welfare, such as the expanded minimum compensation provision, must be deleted. Incentives to apply for welfare, such as broad education and transition benefits, should be limited.

AFDC-UP should remain a state option.

Absent these changes, another opportunity to end the dependency inflicted on so many poor families by the welfare system will once again be lost.

WILLIAM L. ARMSTRONG.
WILLIAM V. ROTH, JR.

ADDITIONAL VIEWS OF MR. WALLOP

It has been nearly a generation since the Finance Committee has considered comprehensive welfare reform legislation. The Senate is once again debating this issue, but if we do not do it right this year, the Family Security Act will be viewed as just one more failed effort. It is incredulous, even scandalous, that the Congress cannot reform what is popularly viewed as a fraud-ridden, dependency-creating public welfare system.

Back in 1970, the Senate rejected a flawed proposal, the Family Assistance Plan. Debate over welfare reform was effectively ended. Then, the approach to welfare reform consisted of expanding the income of welfare recipients by improving benefits. The FAP bill, strongly supported by the Republican Administration, moved quickly through the House of Representatives with strong bipartisan support. It wasn't until the bill reached the Senate that in-depth discussion of FAP's impact on work effort and federal spending took place.

Some members of the Senate Finance Committee, such as John J. Williams of Delaware, were not convinced that increasing welfare benefits even with work incentives, would reduce welfare rolls and move people into productive private sector employment. The debate concentrated on the related issues of a guaranteed income through expanded benefits and creating disincentives for people to give up welfare assistance. This latter problem revolved around the high marginal "tax rate" that welfare recipients faced in terms of lost benefits if they entered the workforce. FAP did not solve this problem, and in some ways exacerbated it.

As the FAP critics correctly pointed out, every experiment on guaranteed annual incomes, from Speenhamland in the early 1800's to the New Jersey (Seattle-Denver) Negative Income Tax Experiment in the late 1960's, demonstrated that expanding the accessibility of welfare reduced work effort. At the same time, the so-called notch affect, whereby people working their way off of welfare abruptly lost eligibility for in-kind and cash benefits as earned income increased, also created a work disincentive. The architects of FAP could not work around these obstacles, and the Senate finally rejected even a scaled down version of FAP.

It was not until 1986 that welfare reform was placed back on the national agenda. President Reagan, in his State of the Union address, directed that work begin on a new program to address the needs of low income families. The Administration proposed a thoughtful and dramatic analysis of public welfare in its report, *Up From Dependency*. This report provided goals for welfare reform and initiated a new legislative drafting frenzy.

The report correctly argues that the States need greater flexibility in designing welfare programs. But, we also need stronger federal requirements for child support enforcement and for employ-

ment incentives for adult welfare recipients. What we should not do is repeat the mistakes of FAP by trying to respond to the problem of being poor by expanding income transfer programs.

Unfortunately, this is the direction which some welfare reform advocates would lead us. For instance, the legislation passed last year by the House of Representatives is a cleverly disguised FAP trap. The sponsors make a lot of noise about how the bill is dedicated to putting welfare clients to work. According to the Congressional Budget Office, the bill does move some welfare recipients into private sector employment through the new NETWORK jobs program. According to their analysis, about 100,000 adult welfare recipients will eventually be placed in employment training programs on an annual basis. In 1992, the fifth year of NETWORK, 25,000 welfare recipients will be placed in jobs, at an average cost of \$2,260 in training benefits.

However, this is not the true cost of the program. The House bill repeats some of the errors encountered back in 1970. For instance, the bill increases the earnings disregard which increases the income of welfare recipients until their earnings drives them over the notch, and once again, total income drops due to loss of eligibility for certain welfare benefits. CBO estimates that the total five year (1988-1992) cost of the House bill is \$5.3 billion, with most costs coming from direct spending on AFDC and Medicaid entitlements.

For 1992, we are not spending \$2,260 for each NETWORK participant. Rather, the total cost of the bill divided among the number of welfare recipients in the NETWORK program is \$15,500 per individual. The total average cost for each welfare recipient who goes from AFDC to a job in 1992 is \$71,200. That makes the NETWORK program even more expensive, in terms of total new federal spending, than the old public jobs program under CETA. And, the CBO report also explains that AFDC participation will increase by 50,000 families because of the increased earnings disregards (erroneously labeled "Real Work Incentives"), and by 90,000 families because of the expanded AFDC-UP program. The bottom line on the House bill is that it both expands participation in welfare and increases drastically program costs. Quite simply, it is a failure.

In the Senate, we are fortunate to have as a leader in welfare reform efforts the Senator from New York, Mr. Moynihan. He understands the welfare system. He participated in every battle over welfare reform as far back as the 1960's. He is cognizant of the pitfalls facing welfare legislation. And, we all share a commonality of interest, namely, shifting our welfare system from a program stressing benefits to one that promotes employment opportunities for the welfare underclass.

I agree with Senator Moynihan in that federal welfare assistance has two purposes, to protect those without the resources and abilities to provide for themselves, and to assist the able bodied to enter private sector employment. The bill he developed includes the concept of individual responsibility. He agrees that we need new programs to provide education, training, remediation, intensive job search, and work experience for adults on welfare. The responsibility of parents to support their families is also recognized through stronger child support enforcement provisions.

With these principles as a base, we should have been able to fashion a real welfare reform bill that would have been unanimously approved by the Finance Committee. That did not occur, mainly because the Committee bill also takes us down the path of spending more money on expanded benefits. The bill will put some people to work, but it will also increase the welfare rolls. And, the additional spending on more benefits and more beneficiaries outweighs the gains in new employment as a result of the work requirements in the bill.

By expanding the AFDC-Unemployed Parent program, 90,000 additional participants would be added to the program according to OMB figures. And, the new supportive services provided by the JOBS title in the bill would increase participation by another 23,000 adults seeking to take advantage of the incentives. The transition benefits in the bill would result in 714,000 participants remaining on welfare for a longer period of time than would occur under existing law. In return for this expanded participation, OMB calculates that there will be 10,000 cases closed as a result of the bill. This is not a fair trade-off.

The bill reported by the Finance Committee has a five year cost of slightly more than one-half the House bill (though I had hoped that welfare reform would be budget neutral). The net five year cost of S. 1511 will be \$3.4 billion according to the OMB. This figure does not include additional costs to the States for increases in participation and longer transition benefits (such as Medicaid) which have a State cost share requirement.

The fact that the Senate bill cost less than the House bill can be viewed as progress, but we certainly can do better (but one hates to even contemplate what will come out of a conference committee). The first step is to move away from the notion that welfare reform requires an expansion of benefits. Reforming public assistance is not increasing the burden on taxpayers or increasing the federal deficit in order to encourage more people to go on welfare. While we must ensure that those in need receive adequate assistance, we must also stress the obligation and the opportunity of able-bodied adults to work.

Perhaps the most effective welfare reform would be to simply cash in the sixty-odd federal welfare programs, and use the savings to fund a monthly cash benefit to every family on welfare. This would increase their income but there would also be an effective work requirement in exchange for this monthly check. In a sense, this is what is attempted by S. 1511. WIN and WIN-Demo work requirements are expanded to cover more adults on welfare. A revised administrative structure is required to guide these adults into productive private sector jobs. But the bill goes astray by not requiring any participation standards and by expanding transition benefits. This last item drives us back to the problem of the notch and high marginal "tax" for individuals as they seek to increase their earned income to replace the value of cash and in-kind welfare benefits.

In looking at the bill title by title, I strongly support Title I, which improves child support enforcement procedures. Family responsibilities continue even when parents separate. As studies have shown, the income of the father increases and the income of the

mother with custody of the children decreases upon separation. All too often, the new, female-headed family must seek some form of public assistance. If the father provided adequate and consistent child support, there would be less demand for public assistance. If S. 1511 consisted only of title I, it would still be an important reform.

Title II of S. 1511 is the heart of the bill. But, the heart is not always the best guide to rational changes. In this instance, we have a revised work program, with education, employment and training in bold caps. This activity mimics in many respects existing Job Training Partnership Act employment and training services. In addition, the JEDI program passed last year by the Senate further expands the Labor Department's employment and training programs for the low income disadvantaged. In fact, current federal welfare law, S. 1511 and JTPA/JEDI target adults on welfare as prime candidates for employment services.

Under the existing work requirements for welfare recipients, the WIN program, about 36 percent of the 3.2 million female heads-of-household are required to participate in WIN (and two-thirds of all adult males on AFDC are required to participate). The failure of the existing welfare-related employment requirements is that the only requirement of participation is that the adult register for WIN services. If the local welfare agency has no program other than a registration desk, the requirement is fulfilled. During the 1980's, the Finance Committee has sporadically reviewed this issue, and initiated additional work programs, namely WIN-Demo, CWER, and Work Supplementation. But, the welfare program still does not have an effective work requirement.

At the same time, Title II of JTPA, which is 100 percent federal funding, provides employment and training services for the economically disadvantaged. While this population is a broader group than adults on welfare, Section 203 of JTPA targets services to AFDC adult recipients. JTPA has participation and performance requirements. One participation goal is to ensure that the AFDC population is served by JTPA in direct proportion to their representation in the eligible population. A recent study by the National Commission for Employment Policy demonstrates that this goal has been reached. Still, only 10 percent of the WIN-eligible population of AFDC adults participate in JTPA.

The adult-AFDC participation rate in JTPA is not higher for a variety of reasons. One constraint is funding. It is obvious that if we want to move more adult welfare recipients off the rolls and into productive employment, then we should increase funding for employment and training through JTPA rather than creating duplicating JOBS or NETWORK programs. And, we also need real work requirements for welfare beneficiaries, such as the participation requirements contained in S. 1655. We would support an amendment to this legislation which would incorporate language similar to the work requirements in S. 1655. And, there are other improvements we can make in this legislation to make it a true welfare reform bill.

Last year, the Senate unanimously passed legislation, the Jobs for Employable Dependent Individuals Act. JEDI creates new incentives in JTPA for the States to target employment services to

AFDC recipients. And, unlike the welfare reform bills, with their work requirements, which will expand federal spending by \$2.8 billion to over \$5 billion in the next few years, the JEDI Act is scored by CBO to save \$250 million. This demonstrates the purpose of reform legislation—to reduce spending on welfare, to reduce overall public spending, and to move people into productive private sector employment. These are the type of guidelines that the Finance Committee's welfare reform bill should follow. We have made some insufficient steps in following these guidelines, and we will work for further changes during the up-coming Senate debate on the Family Security Act.

In addition to flaws in the employment and training provisions, the Committee bill also fails in the education requirements. The bill sensibly prohibits the use of welfare funds to pay for the cost of higher education when a welfare recipient currently enrolled in a post-secondary institution. However, the bill is contradictory on this issue in that it does allow the funding of post-secondary education for welfare recipients required to participate in the JOBS program.

The bill would allow welfare funds to be used to pay any and all expenses of a adult welfare client related to the financing of their higher education. The cost of attending a private university approaching \$12,000 annually for just tuition, this would be an outrageously expensive expenditure. This provision not only discriminates against students from middle income families who have to take out student loans and work part time to finance their education, but also discriminates against students from low income families who are not on welfare and face difficulties in attending a college or technical school even with student loans and grants.

Two years ago, the Congress approved the reauthorization of the Higher Education Act of 1965. This legislation revised and expanded Guaranteed Student Loans and Pell Grants. The major beneficiaries of these two programs are low income adults, including women receiving AFDC. In facts, we specifically excluded welfare benefits from income when determining eligibility for Pell Grants. An excellent program is now in place to assist adults on welfare with the expense of post-secondary education. In addition, the Higher Education Act funds the TRIO program which provides supportive services for economically disadvantaged students, including those on welfare. We have a substantial program to assist young adults in accessing post-secondary education opportunities.

The requirement in S. 1511 to fund education expenses for those on welfare duplicates existing programs. It is an example of government run amuck. At some point, individuals have to accept the responsibilities of adulthood; the government cannot be expected to be some superparent guiding people through every obstacle and opportunity in life. The federal government has neither the expertise, the mandate, nor the resources to take up this burden.

If there is a need for the States to provide additional funding for post-secondary education expenses of welfare recipients, the States can expand their funding for State Student Incentive Grants (which receive matching federal funds). This is a needs-based grant program for disadvantaged students organized at the State level. In short, the Higher Education Act provides funds for federal and

state financial assistance programs for disadvantaged students. The section in the Family Security Act replicating these programs should be deleted.

Rather than trying to correct all the problems in the bill reported by the Finance Committee, the most prudent action would be to approve a substitute which includes the reforms sought by the Administration and provides an effective work requirement at realistic cost. This substitute has been drafted, and in fact was nearly approved in the House of Representatives with bipartisan support. The legislation was introduced by Senator Dole (S. 1655) and Congressman Michel. The Dole-Michel bill mandates participation in employment and training programs, has effective education and work requirements, improves the child support enforcement program, sensible transition benefits, and includes the broad demonstration authority for the States to conduct experiments on welfare and work reforms. The total cost of this proposal is one third the cost of S. 1511. The Dole-Michel bill is an effective welfare to work proposal at a reasonable cost which, most importantly, will be supported by the White House. It is a proposal that should be adopted by the Senate as well.

MALCOLM WALLOP.

ADDITIONAL VIEWS OF MR. ARMSTRONG

I am pleased the Finance Committee approved an amendment to S. 1511 to further strengthen state efforts to fight welfare fraud. This is one positive feature of the legislation.

Current anti-fraud measures focus on fraud after-the-fact, that is, after an ineligible person gets on the welfare rolls and is improperly collecting benefits. Some counties in California, Arizona, Colorado, Georgia, Kansas, New Jersey, and Wisconsin have also implemented, or are planning, early fraud detection systems. The prototype is California's FRED program: Fraud Detection and Prevention. Under FRED, welfare intake workers refer suspicious matters to an investigative unit, which then checks out the claim. The idea is to keep those ineligible off the rolls in the first place by moving the investigative staff to the front-end of the entitlement process.

The Inspector General of HHS recently reported why early fraud detection is so important. He found that AFDC fraud was a billion-dollar problem and that the Federal government could save \$800 million annually by requiring States to implement a pre-eligibility detection system. The IG reported that state officials believe the magnitude of fraud is much higher than previously reported, and that fraud perpetrators' sophistication is keeping pace with automated fraud detection techniques.

The IG stressed the need for early detection:

The eligibility worker is the cornerstone of the State's fraud detection efforts but is often poorly prepared for this responsibility.

Many eligibility workers view the fraud investigation and prosecution process as being ineffective.

Eligibility workers report that the lenient response to AFDC fraud is well known in the communities.

The presence of an active, visible and effective fraud investigation function is critical to the integrity of the AFDC program.

In California, FRED has had a remarkable impact on reducing fraud. In Orange County, between \$16.60 and \$33.81 was saved for every \$1 spent on FRED. In three counties with FRED, out of 8,642 applications referred to the investigators for pre-eligibility clearance, 824 were withdrawn by the applicants. Another 1,585 were denied because of the information turned up by the investigators. In calendar year 1985, about 18 percent of AFDC applications in 21 California counties were referred by the intake workers for pre-eligibility investigations. A total of 5.33 percent were subsequently withdrawn or denied.

It's equally important to note that FRED investigations handled expeditiously and fairly. Nearly all investigations are completed within the normal applicant waiting period for benefits. Indeed,

the average turnaround time for FRED inquiries in 1987 was 9 days. Benefit grants are *not* withheld from an applicant in the rare event an investigation is incomplete.

In addition, there are no indications FRED has resulted in any harassment of applicants. Under FRED, all applicants are provided a complaint form which may be filed if benefits are denied. According to a report by the California Legislative Analyst Office, 19,000 investigations in 20 California counties in the 1986-87 fiscal year resulted in 7,457 applications denied or withdrawn. Of those withdrawn or denied, only 11 applicants—one-tenth of one percent—filed a complaint regarding their denial. Of these 11, seven complaints were unrelated to the FRED program. The study concluded that applicant rights have been protected under the FRED system. This is strong evidence that pre-eligibility detection can be undertaken in a fair and responsible manner.

Efforts to preserve welfare benefits for those truly in need are a fitting part of any welfare reform legislation. The Finance Committee's action will greatly enhance state anti-fraud efforts and better ensure that Federal and state tax dollars for welfare will serve only those who are entitled to them.

WILLIAM L. ARMSTRONG.

VII. CHANGES IN EXISTING LAW

Pursuant to the requirements of paragraph 12 of Rule XXVI of the Standing Rules of the Senate, changes in existing law made by the bill S. 1511, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

SOCIAL SECURITY ACT

TITLE II—FEDERAL OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE BENEFITS

EVIDENCE, PROCEDURE, AND CERTIFICATION FOR PAYMENT

SEC. 205. [42 U.S.C. 405] (a) The Secretary shall have full power and authority to make rules and regulations and to establish procedures, not inconsistent with the provisions of this title, which are necessary or appropriate to carry out such provisions, and shall adopt reasonable and proper rules and regulations to regulate and provide for the nature and extent of the proofs and evidence and the method of taking and furnishing the same in order to establish the right to benefits hereunder.

(c)(1) For the purposes of this subsection—

(2)(A) On the basis of information obtained by or submitted to the Secretary, and after such verification thereof as he deems necessary, the Secretary shall establish and maintain records of the amounts of wages paid to, and the amounts of self-employment income derived by, each individual and of the periods in which such wages were paid and such income was derived and, upon request, shall inform any individual or his survivor, or the legal representative of such individual or his estate, of the amounts of wages and self-employment income of such individual and the periods during which such wages were paid and such income was derived, as shown by such records at the time of such request.

(C)(i)(I) It is the policy of the United States that any State (or political subdivision thereof) may, in the administration of any tax, general public assistance, driver's license, or motor vehicle registration law within its jurisdiction, utilize the social security account numbers issued by the Secretary for the purpose of establishing the

identification of individual affected by such law, and may require any individual who is or appears to be so affected to furnish to such State (or political subdivision thereof) or any agency thereof having administrative responsibility for the law involved, the social security account number (or numbers, if he has more than one such number) issued to him by the Secretary.

(II) In the administration of any law involving the issuance of a birth certificate, each State shall, for the purpose of establishing the identity of the parents of the child for which a certificate is issued, require each such parent to furnish to such State (or political subdivision thereof) or any agency thereof having administrative responsibility for the law involved, the social security account number (or numbers, if the parent has more than one such number) issued to the parent unless the State (in accordance with regulations prescribed by the Secretary) finds good cause for not requiring the furnishing of such number. The State shall make numbers furnished under this subclause available to the agency administering the State's plan under part D of title IV in accordance with federal or state law and regulation. Such numbers need not be recorded on the birth certificate.

(ii) If and to the extent that any provision of Federal law heretofore enacted is inconsistent with the policy set forth in [clause (i) of this subparagraph] *subclause (I) of clause (i)*, such provision shall, on and after the date of the enactment of this subparagraph, be null, void, and of no effect. *If and to the extent that any such provision is inconsistent with the requirement set forth in subclause (II) of clause (i), such provision shall, on and after the date of the enactment of such subclause, be null, void, and of no effect.*

* * * * *

TITLE III—GRANTS TO STATES FOR UNEMPLOYMENT COMPENSATION ADMINISTRATION

* * * * *

SEC. 303. [42 U.S.C. 503] (a) The Secretary of Labor shall make no certification for payment to any State unless he finds that the law of such State, approved by the Secretary of Labor under the Federal Unemployment Tax Act, includes provision for—

* * * * *

(h)(1) The State agency charged with the administration of the State law shall take such actions (in such manner as may be provided in the agreement between the Secretary of Health and Human Services and the Secretary of Labor under section 453(e)(3)) as may be necessary to enable the Secretary of Health and Human Services to obtain prompt access to any wage and unemployment compensation claims information (including any information that might be useful in locating an absent parent or such parent's employer) for use by the Secretary of Health and Human Services, for purposes of section 453, in carrying out the child support enforcement program under title IV.

(2) Whenever the Secretary of Labor, after reasonable notice and opportunity for hearing to the State agency charged with the administration of the State law, finds that there is a failure to comply

substantially with the requirement of paragraph (1), the Secretary of Labor shall notify such State agency that further payments will not be made to the State until such Secretary is satisfied that there is no longer any such failure. Until the Secretary of Labor is so satisfied, such Secretary shall make no further certification to the Secretary of the Treasury with respect to such State.

JUDICIAL REVIEW

SEC. 304. [42 U.S.C. 504] (a) Whenever the Secretary of Labor—

(1) finds that a State law does not include any provision specified in section 303(a), or

(2) makes a finding with respect to a State under subsection (b), (c), (d), [or (e)] (e), or (h) of section 303.

* * * * *

TITLE IV—GRANTS TO STATES FOR [AID AND SERVICES TO NEEDY FAMILIES WITH CHILDREN] AID AND SERVICES UNDER THE CHILD SUPPORT SUPPLEMENT PROGRAM AND FOR CHILD-WELFARE SERVICES

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PART A—[AID TO FAMILIES WITH DEPENDENT CHILDREN] CHILD SUPPORT SUPPLEMENT PROGRAM

APPROPRIATION

SECTION 401. [42 U.S.C. 601] For the purpose of encouraging the care of dependent children in their own homes or in the homes of relatives by enabling each State to furnish financial assistance and rehabilitation and other services, as far as practicable under the conditions in such State, to needy dependent children and the parents or relatives with whom they are living to help maintain and strengthen family life and to help such parents or relatives to attain or retain capability for the maximum self-support and per-

sonal independence consistent with the maintenance of continuing parental care and protection, there is hereby authorized to be appropriated for each fiscal year a sum sufficient to carry out the purposes of this part. The sums made available under this section shall be used for making payments to States which have submitted, and had approved by the Secretary, [State plans for aid and services to needy families with children] *State child support supplement plans*.

[STATE PLANS FOR AID AND SERVICES TO NEEDY FAMILIES WITH CHILDREN] STATE CHILD SUPPORT SUPPLEMENT PLANS

SEC. 402. [42 U.S.C. 602] (a) A State [plan for aid and services to needy families with children] *child support supplement plan* must—

* * * * *

(4) provide for granting an opportunity for a fair hearing before the State agency to any individual whose claim for [aid to families with dependent children] *aid in the form of child support supplements* is denied or is not acted upon with reasonable promptness;

* * * * *

(7) except as may be otherwise provided in paragraph (8) or (31) and section 415, provide that the State agency—

(A) shall, in determining need, take into consideration any other income and resources of any child or relative claiming [aid to families with dependent children], *aid in the form of child support supplements* or of any other individual (living in the same home as such child and relative) whose needs the State determines should be considered in determining the need of the child or relative claiming such aid;

* * * * *

(8)(A) provide that, with respect to any month, in making the determination under paragraph (7), the State agency—

* * * * *

(iv) shall disregard from the earned income of any child or relative receiving aid to families with dependent children, or of any other individual (living in the same home as such relative and child) whose needs are taken into account in making such determination, an amount equal to (I) the first \$30 of the total of such earned income not disregarded under any other clause of this subparagraph plus (II) one-third of the remainder thereof [(but excluding, for purposes of this subparagraph, earned income derived from participation on a project maintained under the programs established by section 432(b)(2) and (3));];

* * * * *

(vi) shall disregard the first \$50 [of any child support payments received in such month] *of any child support payments for such month received in that month, and the*

first \$50 of child support payments for each prior month received in that month if such payments were made by the absent parent in the month when due, with respect to the dependent child or children in any family applying for or receiving aid to families with dependent children (including support payments collected and paid to the family under section 457(b)); and

* * * * *

(9) provide safeguards which restrict the use or disclosure of information concerning applicants or recipients to purposes directly connected with (A) the administration of the plan of the State approved under this part, the plan or program of the State under part [B, C, or D] *B or D* of this title or under title I, X, XIV, XVI, XIX, or XX, or the supplemental security income program established by title XVI, * * *

* * * * *

(10)(A) provide that all individuals wishing to make application for [aid to families with dependent children] *aid in the form of child support supplements* shall have opportunity to do so, and that aid to families with dependent children shall, subject to paragraphs (25) and (26), be furnished with reasonable promptness to all eligible individuals; and

* * * * *

(11) provide for prompt notice (including the transmittal of all relevant information) to the State child support collection agency (established pursuant to part D of this title) of the furnishing of [aid to families with dependent children] *aid in the form of child support supplements* with respect to a child who has been deserted or abandoned by a parent (including a child born out of wedlock without regard to whether the paternity of such child has been established);

* * * * *

(14) with respect to families in the category of recent work history or earned income cases (and at the option of the State with respect to families in other categories), (A) provide that the State agency will require each family to which it furnishes [aid to families with dependent children] *aid in the form of child support supplements* (or to which it would provide such aid but for paragraph (22) or (32)) to report as a condition to the continued receipt of such aid (or to continuing to be deemed to be a recipient of such aid), each month to the State agency on—

* * * * *

(17) provide that if a child or relative applying for or receiving [aid to families with dependent children] *aid in the form of child support supplements*, or any other person whose need the State considers when determining the income of a family, receives in any month an amount of earned or unearned income which, together with all other income for that month

not excluded under paragraph (8), exceeds the State's standard of need applicable to the family of which he is a member—

* * * * *

[(19) provide—

[(A) that every individual, as a condition of eligibility for aid under this part, shall register for manpower services, training, employment, and other employment-related activities (including employment search, not to exceed eight weeks in total in each year) with the Secretary of Labor as provided by regulations issued by him, unless such individuals is—

[(i) a child who is under age 16 or attending, full-time, an elementary, secondary, or vocational (or technical) school;

[(ii) a person who is ill, incapacitated, or of advanced age;

[(iii) a person so remote from a work incentive project that his effective participation is precluded;

[(iv) a person whose presence in the home is required because of illness or incapacity of another member of the household;

[(v) the parent or other relative of a child under the age of six who is personally providing care for the child with only very brief and infrequent absences from the child;

[(vi) the parent or other caretaker of a child who is deprived of parental support or care by reason of the death, continued absence from the home, or physical or mental incapacity of a parent, if another adult relative is in the home and not excluded by clause (i), (ii), (iii), or (iv) of this subparagraph (unless he has failed to register as required by this subparagraph, or has been found by the Secretary of Labor to have refused without good cause to participate under a work incentive program or accept employment as described in subparagraph (F) of this paragraph;

[(vii) a person who is working not less than 30 hours per week;

[(viii) the parent of a child who is deprived of parental support or care by reason of the unemployment of a parent, if the other parent (who is the principal earner, as defined in section 407(d) is not excluded by the preceding clauses of this subparagraph; or

[(ix) a woman who is pregnant if it has been medically verified that the child is expected to be born in the month in which such registration would otherwise be required or within the 3-month period immediately following such month; and that any individual referred to in clause (v) shall be advised of his or her option to register, if he or she so desires, pursuant to this paragraph, and shall be informed of the child care services (if any) which will be available to him or her in the event he or she should decide so to register;

[(B) that aid to families with dependent children under the plan will not be denied by reason of such registration or the individual's certification to the Secretary of Labor under subparagraph (G) of this paragraph, or by reason of an individual's participation on a project under the program established by section 432(b)(2) or (3);

[(C) for arrangements to assure that there will be made a non-Federal contribution to the work incentive programs established by part C by appropriate agencies of the State or private organizations of 10 per centum of the cost of such programs, as specified in section 435(b);

[(D) that (i) training incentives authorized under section 434 shall be disregarded in determining the needs of an individual under paragraph (7), and (ii) in determining such individual's needs the additional expenses attributable to his participation in a program established by section 432(b)(2) or (3) shall be taken into account;

[(E) Stricken.

[(F) that if (and for such period as is prescribed under joint regulations of the Secretary and the Secretary of Labor) any child, relative or individual has been found by the Secretary of Labor under section 433(g) to have refused without good cause to participate under a work incentive program established by part C with respect to which the Secretary of Labor has determined his participation is consistent with the purposes of such part C, or to have refused without good cause to accept employment in which he is able to engage which is offered through the public employment offices of the State, or is otherwise offered by an employer if the offer of such employer is determined, after notification by him, to be a bona fide offer of employment—

[(i) if the relative makes such refusal, such relative's needs shall not be taken into account in making the determination under paragraph (7), and aid for any dependent child in the family in the form of payments of the type described in section 406(b)(2) (which in such a case shall be without regard to clauses (A) through (D) thereof) or section 472 will be made unless the State agency, after making reasonable efforts, is unable to locate an appropriate individual to whom such payments can be made;

[(ii) if the parent who has been designated as the principal earner, for purposes of section 407, makes such refusal, aid will be denied to all members of the family;

[(iii) aid with respect to a dependent child will be denied if a child who is the only child receiving aid in the family makes such refusal;

[(iv) if there is more than one child receiving aid in the family, aid for any such child will be denied (and his needs will not be taken into account in making the determination under paragraph (7)) if that child makes such refusal; and

[(v) if such individual makes such refusal, such individual's needs shall not be taken into account in making the determination under paragraph (7);

[(G) that the State agency will have in effect a special program which (i) will be administered by a separate administrative unit (which will, to the maximum extent feasible, be located in the same facility as that utilized for the administration of programs established pursuant to section 432(b)(1), (2), or (3)) and the employees of which will, to the maximum extent feasible, perform services only in connection with the administration of such program, (ii) will provide (through arrangements with others or otherwise) for individuals who have been registered pursuant to subparagraph (A) of this paragraph (I) in accordance with the order of priority listed in section 433(a), such health, vocational rehabilitation, counseling, child care, and other social and supportive services as are necessary to enable such individuals to accept employment or receive manpower training provided under section 432(b)(1), (2), or (3), and will, when arrangements have been made to provide necessary supportive services, including child care, certify to the Secretary of Labor those individuals who are ready for employment or training under section 432(b)(1), (2), (3), (II) such social and supportive services as are necessary to enable such individuals as determined appropriate by the Secretary of Labor actively to engage in other employment-related (including but not limited to employment search) activities, as well as timely payment for necessary employment search expenses, and (III) for a period deemed appropriate by the Secretary of Labor after such an individual accepts employment, such social and supportive services as are reasonable and necessary to enable him to retain such employment, (iii) will participate in the development of operational and employability plans under section 433(b); and (iv) provides for purposes of clause (ii) that, when more than one kind of child care is available, the mother may choose the type, but she may not refuse to accept child care services if they are available; and

[(H) that an individual participating in employment search activities shall not be referred to employment opportunities which do not meet the criteria for appropriate work and training to which an individual may otherwise be assigned under section 432(b)(1), (2), or (3);]

(19) provide that the State has in effect and operation a job opportunities and basic skills training program that meets the requirements of section 417;".

* * * * *

(21) provide—

(A) that, for purposes of this part, participation in a strike shall not constitute good cause to leave, or to refuse to seek or accept employment; and

(B)(i) that [aid to families with dependent children] aid in the form of child support supplements is not payable to

a family for any month in which any caretaker relative with whom the child is living is, on the last day of such month, participating in a strike, and (ii) that no individual's needs shall be included in determining the amount of aid payable for any month to a family under the plan if, on the last day of such month, such individual is participating in a strike;

* * * * *

(30) at the option of the State, provide for the establishment and operation, in accordance with an (initial and annually updated) advance automatic data processing planning document approved under subsection (d), of an automated statewide management information system designed effectively and efficiently, to assist management in the administration of the State **[plan for aid to families with dependent children]** *child support supplement plan* approved under this part, so as (A) to control and account for (i) all the factors in the total eligibility determination process under such plan for aid (including but not limited to (I) identifiable correlation factors (such as social security numbers, names, dates of birth, home addresses, and mailing addresses (including postal ZIP codes), of all applicants and recipients of such aid and the relative with whom any child who is such an applicant or recipient is living) to assure sufficient compatibility among the systems of different jurisdictions to permit periodic screening to determine whether an individual is or has been receiving benefits from more than one jurisdiction, (II) checking records of applicants and recipients of such aid on a periodic basis with other agencies, both intra- and inter-State, for determination and verification of eligibility and payment pursuant to requirements imposed by other provisions of this Act), (ii) the costs, quality, and delivery of funds and services furnished to applicants for and recipients of such aid, (B) to notify the appropriate officials of child support, food stamp, social service, and medical assistance programs approved under title XIX whenever the case becomes ineligible or the amount of aid or services is changed, and (C) to provide for security against unauthorized access to, or use of, the data in such system;

* * * * *

[(35) at the option of the State, provide—

[(A) that as a condition of eligibility for aid under the State plan of any individual claiming such aid who is required to register pursuant to paragraph (19)(A) (or who would be required to register under paragraph (19)(A) but for clause (iii) (thereof), including all such individuals or only such groups, types, or classes thereof as the State agency may designate for purposes of this paragraph, such individual will be required to participate in a program of employment search—

[(i) beginning at the time he applies for such aid (or an application including his need is filed) and continuing for a period (prescribed by the State) of not more

than eight weeks (but this requirement may not be used as a reason for any delay in making a determination of an individual's eligibility for aid or in issuing a payment to or in behalf of any individual who is otherwise eligible for such aid); and

[(ii) at such time or times after the close of the period prescribed under clause (i) as the State agency may determine but not to exceed a total of 8 weeks in any 12 consecutive months;

[(B) that any individual participating in a program of employment search under this paragraph will be furnished such transportation and other services, or paid (in advance or by way of reimbursement) such amounts to cover transportation costs and other expenses reasonably incurred in meeting requirements imposed on him under this paragraph, as may be necessary to enable such individual to participate in such program; and

[(C) that, in the case of an individual who fails without good cause to comply with requirements imposed upon him under this paragraph, the sanctions imposed by paragraph (19)(F) shall be applied in the same manner as if the individual had made a refusal of the type which would cause the provisions of such paragraph (19)(F) to be applied (except that the State may at its option, for purposes of this paragraph, reduce the period for which such sanctions would otherwise be in effect);]

* * * * *

[(37) provide that, in any case where a family has ceased to receive aid under the plan because (by reason of paragraph (8)(B)(ii)(II) the provisions of paragraph (8)(A)(iv) no longer apply, such family shall be considered for purposes of title XIX to be receiving aid to families with dependent children under such plan for a period of 9 months after the last month for which the family actually received such aid; and the State may at its option extend such period by an additional period of up to 6 months in the case of a family that would be eligible during such additional period to receive aid under the plan (without regard to this paragraph) if such paragraph (8)(A)(iv) applied;]

(38) provide that in making the determination under paragraph (7) with respect to a dependent child and applying paragraph (8), the State agency shall (except as otherwise provided in this part) include—

(A) any parent of such child, and

(B) any brother or sister of such child, if such brother or sister meets the conditions described in clauses (1) and (2) of section 406(a) or in section 407(a) [(if such section is applicable to the State)],

if such parent, brother, or sister is living in the same home as the dependent child, and any income of or available for such parent, brother, or sister shall be included in making such determination and applying such paragraph with respect to the

family (notwithstanding section 205(j), in the case of benefits provided under title II);

(39) provide that in making the determination under paragraph (7) with respect to a dependent child whose parent or legal guardian is under the age of 18, the State agency shall (except as otherwise provided in this part) include any income of such minor's own parents or legal guardians who are living in the same home as such minor and dependent child, to the same extent that income of a stepparent is included under paragraph (31); [and]

(40) provide, if the State has elected to establish and operate a fraud control program under section 416, that the State will submit to the Secretary (with such revisions as may from time to time be necessary) a description of and budget for such program, and will operate such program in full compliance with that section[.];

(41) provide that—

(A) subject to subparagraph (B), in the case of any individual who is under the age of 18 and has never married, and who has a dependent child in his or her care (or is pregnant and is eligible for child support supplements under the State plan), (i) such individual may receive child support supplements under the plan for the individual and such child (or for herself in the case of a pregnant woman) only if such individual and child (or such pregnant woman) reside in a place of residence maintained by a parent, legal guardian, or other adult relative of such individual as such parent's, guardian's, or adult relative's own home, or reside in a foster home, maternity home, or other adult-supervised supportive living arrangement, and (ii) such supplements (where possible) shall be paid to the parent, legal guardian, or adult relative on behalf of such individual and child; and

(B) subparagraph (A) does not apply in the case where—

(i) such individual has no parent or legal guardian of his or her own who is living and whose whereabouts are known;

(ii) no living parent or legal guardian of such individual allows the individual to live in the home of such parent or guardian;

(iii) the State agency determines that the physical or emotional health or safety of such individual or such dependent child would be jeopardized if such individual and such dependent child lived in the same residence with such individual's own parent or legal guardian;

(iv) such individual lived apart from his or her own parent or legal guardian for a period of at least one year prior to either the birth of any such dependent child or the individual having made application for child support supplements under the plan; or

(v) the State agency otherwise determines (in accordance with regulations issued by the Secretary) there is good cause for waiving such subparagraph;

(42) provide that payments of child support supplements will be made under the plan with respect to dependent children of unemployed parents in accordance with section 407;

(43) provide that the State agency shall—

(A)(i) be responsible for assuring that the benefits and services under the programs under this part and part D are furnished in an integrated manner, and

(ii) to the maximum extent possible (as is otherwise consistent with the provisions of this title), assure that all parents applying for or receiving child support supplements under this part are encouraged, assisted, and required to fulfill their responsibilities to support their children by (I) preparing for, seeking, accepting, and retaining such employment as they are capable of performing, and (II) cooperating in the establishment of paternity and the enforcement of child support obligations; and

(B) notify each applicant for child support supplements under this part and (at such times as required under regulations of the Secretary) each recipient of such supplements of—

(i) the education, employment, and training services (including supportive services with respect to such services), and paternity establishment and child support services for which the applicant or recipient (as the case may be) is eligible; and

(ii) the requirements that must be met in order to be eligible for any such services; and

(44) provide (in accordance with regulations issued by the Secretary) for appropriate measures to detect fraudulent applications for child support supplements prior to the establishment of eligibility for such supplements.

* * * * *

(e)(1) The Secretary shall not approve the initial and annually updated advance [automatic] automated data processing planning document, referred to in subsection (a)(30), unless he finds that such document, when implemented, will generally carry out the objectives of the statewide management system referred to in such subsection, and such document—

(A) provides for the conduct of, and reflects the results of, requirements analysis studies, which include consideration of the program mission, functions, organizations, services, constraints, and current support, of, in, or relating to, such system,

(B) contains a description of the proposed statewide management system, including a description of information flows, input data, and output reports and uses,

(C) sets forth the security and interface requirements to be employed in such statewide management system,

(D) describes the projected resource requirements for staff and other needs, and the resources available or expected to be available to meet such requirements,

(E) includes cost-benefit analyses of each alternative management system, data processing services and equipment, and a

cost allocation plan containing the basis for rates, both direct and indirect, to be in effect under such statewide management system.

(F) contains an implementation plan with charts of development events, testing descriptions, proposed acceptance criteria, and backup and fallback procedures to handle possible failure of contingencies, and

(G) contains a summary of proposed improvement of such statewide management system in terms of qualitative and quantitative benefits.

(2)(A) The Secretary shall, on a continuing basis, review, assess, and inspect the planning, design, and operation of, statewide management information systems referred to in section 403(a)(3)(B), with a view to determining whether, and to what extent, such systems meet and continue to meet requirements imposed under such section and the conditions specified under subsection (a)(30) of this section.

(B) If the Secretary finds with respect to any statewide management information system referred to in section 403(a)(3)(B) that there is a failure substantially to comply with criteria, requirements, and other undertakings, prescribed by the advance [automatic] *automated* data processing planning document theretofore approved by the Secretary with respect to such system, then the Secretary shall suspend his approval of such document until there is no longer any such failure of such system to comply with such criteria, requirements, and other undertakings so prescribed.

(C) If the Secretary determines that such a system has not been implemented by the State by the date specified for implementation in the State's advance [automatic] *automated* data processing planning document, then the Secretary shall reduce payments to such State, in accordance with section 403(b), in an amount equal to 40 percent of the expenditures referred to in section 403(a)(3)(B) with respect to which payments were made to the State under section 403(a)(3)(B). The Secretary may extend the deadline for implementation if the State demonstrates to the satisfaction of the Secretary that the State cannot implement such system by the date specified in such planning document due to circumstances beyond the State's control.

* * * * *

(g)(1)(A) *Each State agency shall guarantee child care in accordance with subparagraph (B) for each family with a dependent child requiring such care, (i) to the extent that such care is determined by the State agency to be necessary for an individual's participation in employment, education, and training activities under the program under section 417. For purposes of this subsection, the term "child care," shall be deemed to include day care for each incapacitated individual living in the same home as a dependent child, and (ii) subject to the limitations described in section 418, to the extent that such care is determined by the State agency to be necessary for an individual's employment in any case where a family has ceased to receive child support supplements under this part as a result of increased hours of, or increased income from, such employment or as a result of subsection (a)(8)(B)(ii)(II).*

(B) The State agency may guarantee child care by—

- (i) providing such care itself,
- (ii) arranging the care through providers by use of purchase of service contracts, or voucher,
- (iii) providing cash or vouchers in advance to the caretaker relative in the family,
- (iv) reimbursing the caretaker relative in the family, or
- (v) adopting such other arrangements as the State deems appropriate.

(C) The value of any child care provided or arranged (or any amount received as payment for such care or reimbursement for costs incurred for the care) under this paragraph—

(i) shall not be treated as income for purposes of any other Federal or federally-assisted program that bases eligibility for or the amount of benefits upon need, and

(ii) may not be claimed as an employment-related expense for purposes of the credit under section 21 of the Internal Revenue Code of 1986.

(2) In the case of any individual participating in the program under section 417, each State agency (in addition to guaranteeing child care under paragraph (1)) shall provide payment or reimbursement for such transportation and other work-related supportive services as the State determines are necessary to enable such individual to participate in such program.

(3)(A) In the case of amounts expended for child care pursuant to paragraph (1)(A) by any State to which section 1108 does not apply, the applicable rate for purposes of section 403(a) shall be the Federal medical assistance percentage (as defined in section 1905(b)).

(B) In the case of any amounts expended by the State agency for child care under this subsection, only such amounts as are within such limits as the State may prescribe shall be treated as amounts for which payment may be made to a State under this part and only to the extent that—

(i) such amounts do not exceed the applicable local market rate (as determined by the State in accordance with regulations issued by the Secretary),

(ii) such amounts are not expended for the construction or rehabilitation of child care facilities, and

(iii) the child care involved meets applicable standards of State and local law.

(h)(1) Each State shall reevaluate the need standard and payment standard under its plan at least once every five years, in accordance with a schedule established by the Secretary, and report the results of the reevaluation to the Secretary at such time and in such form and manner as the Secretary may require.

(2) The report required by paragraph (1) shall include a statement of—

(A) the manner in which the need standard of the State is determined,

(B) the relationship between the need standard and the payment standard (expressed as a percentage or in any other manner determined by the Secretary to be appropriate), and

(C) any changes in the need standard or the payment standard in the preceding five-year period.

(3) *The Secretary shall report promptly to the Congress the results of the reevaluations required by paragraph (1).*

* * * * *

PAYMENT TO STATES

SEC. 403. [42 U.S.C 603] (a) From the sums appropriated therefor, the Secretary of the Treasury shall pay to each State which has an approved [plan for aid and services to needy families with children] *child support supplement plan*, for each quarter, beginning with the quarter commencing October 1, 1958—

(1) in the case of any State other than Puerto Rico, the Virgin Islands, [and Guam,] *Guam, and American Samoa*, an amount equal to the sum of the following proportions of the total amounts expended during such quarter as [aid to families with dependent children] *aid in the form of child support supplements* under the State plan—

(A) five-sixths of such expenditures, not counting so much of any expenditure with respect to any month as exceeds the product of \$18 multiplied by the total number of recipients of [aid to families with dependent children] *aid in the form of child support supplements* for such month (which total number, for purposes of this subsection, means (i) the number of individuals with respect to whom such aid in the form of money payments is paid for such month, plus (ii) the number of individuals, not counted under clause (i), with respect to whom payments described in section 406(b)(2) are made in such month and included as expenditures for purposes of this paragraph or paragraph (2)); plus

(B) the Federal percentage of the amount by which such expenditures exceed the maximum which may be counted under clause (A), not counting so much of any expenditure with respect to any month as exceeds (i) the product of \$32 multiplied by the total number of recipients of aid to families with dependent children (other than such aid in the form of foster care) for such month, plus (ii) the product of \$100 multiplied by the total number of recipients of [aid to families with dependent children] *aid in the form of child support supplements* in the form of foster care for such month; and

(2) in the case of Puerto Rico, the Virgin Islands, [and Guam,] *Guam, and American Samoa*, an amount equal to one-half of the total of the sums expended during such quarter as [aid to families with dependent children] *aid in the form of child support supplements* under the State plan, not counting so much of any expenditure with respect to any month as exceeds \$18 multiplied by the total number of recipients of such aid for such month; and

* * * * *

(3) in the case of any State, an amount equal to the sum of the following proportions of the total amounts expended during

such quarter as found necessary by the Secretary for the proper and efficient administration of the State plan—

* * * * *

(C) one-half of the remainder of such expenditures [including as expenditures under this subparagraph the value of any services furnished, and the amount of any payments made (to cover expenses incurred by individuals under a program of employment search), under section 402(a)(35)(B)],; and

except that no payment shall be made with respect to amounts expended in connection with the provision of any service described in section 2002(a) of this Act other than [services furnished under section 402(a)(35)(B) (as described in the parenthetical phrase in subparagraph (C)), and other than services the provision of which is required by section 402(b)(19) to be included in the plan of the State, or which is a service provided in connection with a community work experience program or work supplementation program under section 409 or 414;] *services furnished pursuant to section 402(g); and*

* * * * *

No payment shall be made under this subsection with respect to amounts paid to supplement or otherwise increase the amount of [aid to families with dependent children] *aid in the form of child support supplements* found payable in accordance with section 402(a)(13) if such amount is determined to have been paid by the State in recognition of the current or anticipated needs of a family (other than with respect to the first or first and second months of eligibility), but any such amount, if determined to have been paid by the State in recognition of the difference between the current or anticipated needs of a family for a month based upon actual income or other relevant circumstances for such month, and the needs of such family for such month based upon income and other relevant circumstances as retrospectively determined under section 402(a)(13)(A)(ii), shall not be considered income within the meaning of section 402(a)(13) for the purpose of determining the amount of aid in the succeeding months.

(b) The method of computing and paying such amounts shall be as follows:

(1) * * *

* * * * *

(2) The Secretary of Health and Human Services shall then certify to the Secretary of the Treasury the amount so estimated by the Secretary of Health and Human Services, (A) reduced or increased, as the case may be, by any sum by which the Secretary of Health and Human Services finds that his estimate for any prior quarter was greater or less than the amount which should have been paid to the State for such quarter, (B) reduced by a sum equivalent to the pro rata share to which the United States is equitably entitled, as determined by the Secretary of Health and Human Services, of the net amount recovered during any prior quarter by the State or any political subdivision thereof with respect to [aid to families with dependent children] *aid in the form of child support sup-*

plements furnished under the State plan, and (C) reduced by such amount as is necessary to provide the "appropriate reimbursement of the Federal Government" that the State is required to make under section 457 out of that portion of child support collections retained by it pursuant to such section; except that such increases or reductions shall not be made to the extent that such sums have been applied to make the amount certified for any prior quarter greater or less than the amount estimated by the Secretary of Health and Human Services for such prior quarter.

* * * * *

[(c) Notwithstanding any other provision of this act, the Federal share of assistance payments under this part shall be reduced with respect to any State for any fiscal year after June 30, 1973, by one percentage point for each percentage point by which the number of individuals certified, under the program of such State established pursuant to section 402(a)(19)(G), to the local employment office of the State as being ready for employment or training under section 432(b)(1), (2), or (3), is less than 15 per centum of the average number of individuals in such State who, during such year, are required to be registered pursuant to section 402(a)(19)(A).

[(d)(1) Notwithstanding any provision of subsection (a)(3), the applicable rate under such subsection shall be 90 per centum with respect to social and supportive services provided pursuant to section 402(a)(19)(G). In determining the amount of the expenditures made under a state plan for any quarter with respect to social and supportive services pursuant to section 402(a)(19)(G), there shall be included the fair and reasonable value of goods and services furnished in kind from the State or any political subdivision thereof.

[(2) Of the sums authorized by section 401 to be appropriated for the fiscal year ending June 30, 1973, not more than \$750,000,000 shall be appropriated to the Secretary for payments with respect to services to which paragraph (1) applies.]

* * * * *

(f) Notwithstanding any other provision of this section, the amount payable to any State under this part for quarters in a fiscal year shall with respect to quarters in fiscal years beginning after June 30, 1973, be reduced by 1 per centum (calculated without regard to any reduction under section 403(g)) of such amount if such State—

* * * * *

(2) in the immediately preceding fiscal year (but, in the case of the fiscal year beginning July 1, 1972, only considering the third and fourth quarters thereof), failed to carry out the provisions of section 402(a)(15)(B) of the Social Security Act with respect to any individual who, within such period or periods as the Secretary may prescribe, has been an applicant for or recipient of [aid to families with dependent children] *aid in the form of child support supplements* under the plan of the State approved under this part.

* * * * *

(i)(1)(A) Notwithstanding subsection (a)(1), if the ratio of a State's erroneous excess payments (as defined in subparagraph (C)) to its total payments under the State plan approved under this part exceeds—

* * * * *

(4) This subsection shall not apply with respect to Puerto Rico, Guam, [or the Virgin Islands] *the Virgin Islands, or American Samoa*.

(j) In the case of Puerto Rico, Guam, [or the Virgin Islands] *the Virgin Islands, or American Samoa* if the dollar error rate of aid furnished by such State under its State plan approved under this part with respect to any six-month period, as based on samples and evaluations thereof, is—

* * * * *

(k)(1)(A) *In lieu of any payment under subsection (a), the Secretary shall pay to each State with a plan approved under section 417 (subject to the limitation determined under subsection (k)(2) of such section) with respect to expenditures by the State to carry out the program under such section (including expenditures for child care under section 402(g)(1)(A), but only in the case of any State with respect to which section 1108 applies), an amount equal to—*

(i) 90 percent, with respect to so much of such expenditures in a fiscal year as do not exceed the State's expenditures in fiscal year 1987 with respect to which payments were made to such State from its allotment for such fiscal year pursuant to part C of this title as then in effect; and

(ii) with respect to so much of such expenditures in a fiscal year as exceed the amount described in clause (i)—

(I) 50 percent, in the case of expenditures for administrative costs made by a State in operating such a program for such fiscal year (other than the personnel costs for staff employed full-time in the operation of such program) and the costs of transportation and other work-related supportive services under section 402(g)(2), and

(II) the greater of 60 percent or the Federal medical assistance percentage (as defined in section 1118 in the case of any State to which section 1108 applies, or as defined in section 1905(b) in the case of any other State), in the case of expenditures made by a State in operating such a program for such fiscal year (other than for costs described in subclause (I)).

(B) With respect to the amount for which payment is made to a State under subparagraph (A)(i), the State expenditures for the costs of operating a program established under section 417 may be in cash or in kind, fairly evaluated.

(2)(A) Notwithstanding paragraph (1), the Secretary shall pay to a State an amount equal to 50 percent of the expenditures made by such State in operating its program established under section 417 (in lieu of any different percentage specified in paragraph (1)(A)) if more than 50 percent of such expenditures are made with respect to individuals who are not described in subparagraph (B).

(B) *An individual is described in this paragraph if the individual—*

- (i)(I) *is receiving child support supplements, and*
(II) *has received such supplements for any 30 of the preceding 60 months;*
- (ii)(I) *makes application for child support supplements, and*
(II) *has received such supplements for any 30 of the 60 months immediately preceding the most recent month for which application has been made; or*
- (iii) *is a custodial parent under the age of 24 who (I) has not completed a high school education and, at the time of application for child support supplements, is not enrolled in high school (or a high school equivalency course of instruction), or (II) had little or no work experience in the preceding year.*

OPERATION OF STATE PLANS

SEC. 404. [42 U.S.C. 604] (a) In the case of any State [plan for aid and services to needy families with children] *child support supplement plan* which has been approved by the Secretary, if the Secretary, after reasonable notice and opportunity for hearing to the State agency administering or supervising the administration of such plan, finds—

* * * * *

USE OF PAYMENTS FOR BENEFIT OF CHILD

SEC. 405. [42 U.S.C. 605] Whenever the State agency has reason to believe that any payments of [aid to families with dependent children] *aid in the form of child support supplements* made with respect to a child are not being or may not be used in the best interests of the child, the State agency may provide for such counseling and guidance services with respect to the use of such payments and the management of other funds by the relative receiving such payments as it deems advisable in order to assure use of such payments in the best interests of such child, and may provide for advising such relative that continued failure to so use such payments will result in substitution therefore of protective payments as provided under section 406(b)(2), or in seeking appointment of a guardian or legal representative as provided in section 1111, or in the imposition of criminal or civil penalties authorized under State law if it is determined by a court of competent jurisdiction that such relative is not using or has not used for the benefit of the child any such payments made for that purpose; and the provision of such services or advice by the State agency (or the taking of the action specified in such advice) shall not serve as a basis for withholding funds from such State under section 404 and shall not prevent such payments with respect to such child from being considered [aid to families with dependent children] *aid in the form of child support supplements*.

DEFINITIONS

SEC. 406. [42 U.S.C. 606] When used in this part—

(a) * * *

* * * * *

(b) The term ["aid to families with dependent children"] "*child support supplements*" means money payments with respect to a dependent child or dependent children, or, at the option of the State, a pregnant woman but only if it has been medically verified that the child is expected to be born in the month such payments are made or within the three-month period following such month of payment, and who, if such child had been born and was living with her in the month of payment, would be eligible for [aid to families with dependent children] *aid in the form of child support supplements*, and includes * * *

* * * * *

(f) Notwithstanding the provisions of subsection (b), the term ["aid to families with dependent children"] "*aid in the form of child support supplements*" does not mean payments with respect to a parent (or other individual whose needs such State determines should be considered in determining the need of the child or relative claiming aid under the plan of such State approved under this part) of a child who fails to cooperate with any agency or official of the State in obtaining such support payments for such child. Nothing in this subsection shall be construed to make an otherwise eligible child ineligible for protective payments because of the failure of such parent (or such other individual) to so cooperate.

(g) Notwithstanding the provisions of subsection (b), the term ["aid to families with dependent children"] "*aid in the form of child support supplements*" does not mean any—

- (1) amount paid to meet the needs of an unborn child; or
- (2) amount paid (or by which a payment is increased) to meet the needs of a woman occasioned by or resulting from her pregnancy, unless, as has been medically verified, the woman's child is expected to be born in the month such payments are made (or increased) or within the three-month period following such month of payment.

* * * * *

DEPENDENT CHILDREN OF UNEMPLOYED PARENTS

SEC. 407. [42 U.S.C. 607] (a) The term "dependent child" shall, notwithstanding section 406(a), include a needy child who meets the requirements of section 406(a)(2), who has been deprived of parental support or care by reason of the unemployment (as determined in accordance with standards prescribed by the Secretary) of the parent who is the principal earner, and who is living with any of the relatives specified in section 406(a)(1) in place of residence maintained by one or more of such relatives as his (or their) own home.

[(b) The provisions of subsection (a) shall be applicable to a State if the State's plan approved under section 402—

[(1) requires]

(b)(1) *In providing for the payment of child support supplements under the State's plan approved under section 402 in the case of families that include dependent children within the meaning of*

subsection (a) of this section, as required by section 402(a)(42), the State's plan—

[(1)] (A) *subject to paragraph (2), shall require the payment of [aid to families with dependent children] child support supplements with respect to a dependent child as defined in subsection (a) when—*

[(A)] (i) *whichever of such child's parents is the principal earner has not been employed (as determined in accordance with standards prescribed by the Secretary) for at least 30 days prior to the receipt of such aid,*

[(B)] (ii) *such parent has not without good cause, within such period (of not less than 30 days) as may be prescribed by the Secretary, refused a bona fide offer of employment or training for employment, and*

[(C)(i)] (iii) *(I) such parent has 6 or more quarters of work (as defined in subsection (d)(1), no more than four of which may be quarters of work defined in subsection (d)(1)(B)) in any 13-calendar-quarter period ending within one year prior to the application for such aid or [ii] (II) such parent received unemployment compensation under an unemployment compensation law of a State or of the United States, or such parent was qualified (within the meaning of subsection (d)(3)) for unemployment compensation under the unemployment compensation law of the State, within one year prior to the application for such aid; and*

[(2)] (B) *[provides—] shall provide—*

[(A)] (i) *for such assurances as will satisfy the Secretary that unemployed parents of dependent children as defined in subsection (a) [will be certified to the Secretary of Labor as provided in section 402(a)(19) within 30 days] will participate or apply for participation in the program under section 417 within 30 days (unless the program is not available in the area where the parent is living) after receipt of aid with respect to such children;*

[(B)] (ii) *for entering into cooperative arrangements with the State agency responsible for administering or supervising the administration of vocational education in the State, designed to assure maximum utilization of available public vocational education services and facilities in the State in order to encourage the retraining of individuals capable of being retrained;*

[(C)] (iii) *for the denial of [aid to families with dependent children] child support supplements to any child or relative specified in subsection (a)—*

[(i)] (I) *if and for so long as such child's parent described in [paragraph (1)(A)] subparagraph (A)(i), unless exempt under [section 402(a)(19)(A), is not currently registered pursuant to such section for the work incentive program established under part C of this title, or, if he is exempt under such section by reason of clause (iii) thereof or no such program in which he can effectively participate has been established or provided under section 432(a),] section 417(c), is not regis-*

tered with the public employment offices in the State, and

[(ii)] (II) with respect to any week for which such child's parent described in [paragraph (1)(A)] *subparagraph (A)(i)* qualifies for unemployment compensation under an unemployment compensation law of a State or of the United States, but refuses to apply for or accept such unemployment compensation; and

[(D)] (iv) for the reduction of the [aid to families with dependent children] *child support supplements* otherwise payable to any child or relative specified in subsection (a) by the amount of any unemployment compensation that such child's parent described in [paragraph (1)(A)] *subparagraph (A)(i)* receives under an unemployment compensation law of a State or of the United States.

(2)(A) *In carrying out the program under this section, a State may design its program to reflect the individual needs of the State and to emphasize education, training, and employment services for unemployed parents and their spouses who are eligible for child support supplements by reason of this section, to the extent provided under this paragraph.*

(B)(i) *Subject to clause (ii), with respect to the requirement under section 402(a)(42), a State may, at its option, limit the number of months with respect to which a family receives child support supplements to the extent determined appropriate by the State for the operation of its program under this section.*

(ii)(I) *A State may not limit the number of months under clause (i) for which a family may receive child support supplements unless it provides in its plan assurances to the Secretary that it has a program (that meets such requirements as the Secretary may in regulation prescribe) for providing education, training, and employment services (including any activity authorized under section 417) in order to assist parents of children described in subsection (a) in preparing for and obtaining employment.*

(II) *In exercising the option under clause (i), a State plan may not provide for the denial of child support supplements to a family otherwise eligible for such supplements for any month unless the family has received such supplements (on the basis of the unemployment of the parent who is the principal earner) in at least six out of the preceding 12 months.*

(III) *Any family that is otherwise eligible for child support supplements that does not receive such supplements in any month solely by reason of the State exercising the option under clause (i) shall be deemed, for purposes of determining the period under paragraph (1)(A)(iii)(I), to be receiving such supplements in such month.*

(C) *With respect to the participation in the program under section 417 of a family eligible for child support supplements by reason of this section, a State may, as its option—*

(i) *except as otherwise provided in section 417, require that any parent participating in such program engage in program activities for up to 40 hours per week; and*

(ii) *provide for the payment of child support supplements at regular intervals of no greater than one month but after the performance of assigned program activities.*

(c) Notwithstanding any other provisions of this section, expenditures pursuant to this section shall be excluded from aid to families with dependent children (A) where such expenditures are made under the plan with respect to any dependent child as defined in subsection (a), (i) for any part of the 30-day period referred to in [subparagraph (A) subsection (b)(1)], *subsection (b)(1)(A)(i)* or (ii) for any period prior to the time when the parent satisfies [subparagraph (B)] *subsection (b)(1)(A)(ii)* of such subsection, and (B) if, and for as long as, no action is taken (after the 30-day period referred to in [subparagraph (A) of subsection (b)(2)], *subsection (b)(1)(B)(i)* under the program therein specified, [to certify such parent to the Secretary of Labor pursuant to section 402(a)(19)] *to undertake appropriate steps directed towards the participation of such parent in the program under section 417.*

* * * * *

(d) For purposes of this section—

(1) the term “quarter of work” with respect to any individual means a calendar quarter (A) in which such individual received earned income of not less than \$50 (or which is a “quarter of coverage” as defined in section 213(a)(2)), or in which such individual participated in [a community work experience program under section 409, or the work incentive program established under part C;] *the program under section 417; or (B) at the option of the State, a calendar quarter in which such individual attended, full-time, an elementary school, a secondary school, or a vocational or technical training course (approved by the Secretary) that is designed to prepare the individual for gainful employment, or in which such individual participated in an education or training program established under the Job Training Partnership Act;*

(2) the term “calendar quarter” means a period of 3 consecutive calendar months ending on March 31, June 30, September 30, or December 31;

(3) an individual shall, for purposes of [section 407(b)(1)(C)] *subsection (b)(1)(A)(iii)*, be deemed qualified for unemployment compensation under the State’s unemployment compensation law if—

(A) he would have been eligible to receive such unemployment compensation upon filing application, or

(B) he performed work not covered under such law and such work, if it had been covered, would (together with any covered work he performed) have made him eligible to receive such unemployment compensation upon filing application; and

(4) the phrase “whichever of such child’s parents is the principal earner”, in the case of any child, means whichever parent, in a home in which both parents of such child are living, earned the greater amount of income in the 24-month period the last month of which immediately precedes the month in which an application is filed for aid under this part on the basis of the unemployment of a parent, for each consecutive month for which the family receives such aid on that basis.

Notwithstanding section 402(a)(1), a State that chooses to exercise the option provided under paragraph (1)(B) may provide that the definition of calendar quarter under such option apply in one or more political subdivisions of the State.

DEMONSTRATION PROGRAM OF GRANTS TO PROVIDE PERMANENT HOUSING FOR FAMILIES THAT WOULD OTHERWISE REQUIRE EMERGENCY ASSISTANCE

SEC. 408. (a) In order to ensure that States which incur particularly high costs in providing emergency assistance for temporary housing to homeless families receiving child support supplements may have an adequate opportunity to test whether such costs could be effectively reduced by the construction or rehabilitation of permanent housing that such families can afford with their child support supplements, there is hereby established a demonstration program under which the Secretary shall make grants to those States, selected in accordance with subsection (b), which conduct demonstration projects in accordance with this section.

(b)(1) Any State which desires to participate in the demonstration program established by subsection (a) may submit an application therefor to the Secretary.

(2) To be eligible for selection to conduct a demonstration project under such program, a State—

(A) must be currently providing emergency assistance (as defined in subsection (f)(1)) in the form of housing, including transitional housing;

(B) must have a particularly acute need for assistance in dealing with the problems of homeless families who receive child support supplements by virtue of the large number of such families and the existence of shortages in the supply of low-income housing in the political subdivision or subdivisions where such project would be conducted; and

(C) must submit a plan to achieve significant cost savings over a 10-year period through the conduct of such project with assistance under this section.

(3) The Secretary shall select up to two States, from among those which submit applications under paragraph (1), and are determined to be eligible under paragraph (2), to conduct demonstration projects in accordance with this section. In the event that more than two States are determined to be eligible, the two States selected shall be those with respect to which cost savings (as described in subparagraph (C) of such paragraph) will be the greatest.

(4) Grants for each demonstration project under this section shall be awarded within six months after the date of the appropriation of funds (pursuant to subsection (h)) for the purposes prescribed in this section.

(c) For each year during which a State is conducting a demonstration project under this section, the Secretary shall make a grant to such State, in an amount determined under subsection (h)(2), for the construction or rehabilitation of permanent housing to serve families who would otherwise require emergency assistance in the form of temporary housing.

(d) A grant may be made to a State under subsection (b) only if such State (along with or as a part of its application) furnishes the Secretary with satisfactory assurances that—

(1) the proceeds of the grant will be used exclusively for the construction or rehabilitation of permanent housing to be owned by the State, a political subdivision of the State, an agency or instrumentality of the State or of a political subdivision of the State, or a nonprofit organization;

(2) all units assisted with funds from the proceeds of the grant will be used exclusively for rental to families which—

(A) are eligible, at the time of the rental, for assistance under the State's plan approved under section 402 (and a family with one or more members who meet this requirement shall not be deemed ineligible because one or more other members receive benefits under title XVI),

(B) have been unable to obtain non-emergency housing at rents that can be paid with the portion of such assistance allocated for shelter, and

(C) if such units were not available to them, would be compelled to live in a shelter for the homeless or in a hotel or motel, or other temporary accommodations, paid for with emergency assistance, or would be homeless;

(3) the local jurisdiction in which such housing will be located is experiencing a critical shortage of housing units that are available to families eligible for assistance under the State plan at rents that can be paid with the amount of such assistance allocated for shelter; and

(4) whenever units assisted with grants under the project become available for occupancy, the State will discontinue the use of an equivalent number of units of the most costly accommodations it has been using as temporary housing paid for with emergency assistance, except to the extent that such accommodations are demonstrably needed—

(A) in addition to the units so assisted, to take account of the emergency assistance caseload, or

(B) because, due to the condition or location of such accommodations, or other factors, discontinuing the use of such units would not be in the best interests of needy families, provided that the State discontinues the use of an equivalent number of other units it has been using as temporary housing paid for with emergency assistance.

(e)(1) The average cost to the Federal government per unit of housing constructed or rehabilitated with a grant under a project under this section shall be an amount no greater than the yearly Federal payment of emergency assistance that would be required to provide housing for a family in a shelter for the homeless, a hotel or motel, or other temporary quarters for one year, in the jurisdiction or jurisdictions where the project is located.

(2) The total amount of Federal payments to a State under this part over the 10-year period beginning at the time construction or rehabilitation commences under the State's project under this section, with respect to the families who will live in housing assisted by a grant under such project (the "total grant cost" as more particularly defined in subsection (f)(3)), must be lower as a result of

the construction or rehabilitation of permanent housing with the grant than the total amount of Federal payments under this part that would have been made if the State made emergency assistance payments with respect to the families involved at the level of the standard yearly payment (as defined in subsection (f)(2)) during such 10-year period. If the "total grant cost" is not lower than such total amount of Federal payments, the State shall be responsible for paying the difference between such cost and such total amount.

(3) Any grant to a State under subsection (a) shall be made only on condition (A) that the non-Federal share of the total cost of the construction or rehabilitation of the housing involved is equal to at least the percentage of the current non-Federal share of assistance under the State's plan approved under section 402 (as determined under section 403(a) or 1118), increased by 10 percentage points, and (B) that such State not require any of its political subdivisions to pay a higher percentage of the total costs of the construction or rehabilitation of such housing than it would pay with respect to assistance pursuant to such State plan.

(f) For purposes of this section—

(1) the term "emergency assistance" means emergency assistance to needy families with children as described in section 406(e), and regular payments for the costs of temporary housing authorized as a special needs item under the State plan;

(2) the term "standard yearly payment", with respect to emergency assistance used to provide housing for a family in a shelter for the homeless, a hotel or motel, or other temporary quarters during any year in any jurisdiction, means an amount equal to the total amount of such assistance which was needed to provide all housing in temporary accommodations in that jurisdiction (with emergency assistance), in the most recently completed calendar year, at the 75th percentile in the range of all payments of emergency assistance for temporary accommodations, based on the State's actual experience with emergency assistance in such jurisdiction; and

(3) the term "total grant cost", with respect to housing constructed or rehabilitated under a demonstration project under this section, means the sum of (A) the Federal share of payments attributable to the construction or rehabilitation of such housing during the 10-year period beginning on the date on which its construction or rehabilitation begins, (B) the Federal share of payments of emergency assistance for temporary housing to the families involved during that part of the 10-year period in which such housing is undergoing construction or rehabilitation (at a level equal to the standard yearly payment), and (C) the Federal share of regular payments of child support supplements under the State plan to such families during the remainder of such 10-year period.

(g) Whenever a grant is made to a State under this section, the assurances required of the State under paragraphs (1) through (4) of subsection (d) and any other requirements imposed by the Secretary as a condition of such grant shall be considered, for purposes of section 404, as requirements imposed by or in the administration of the State's plan approved under section 402.

(h)(1) There are authorized to be appropriated for grants under this section the sum of \$8,000,000 for each of the first 5 fiscal years beginning on or after October 1, 1988.

(2)(A) The amount appropriated for any fiscal year pursuant to paragraph (1) shall be divided between the States conducting demonstration projects under this section according to their respective need for assistance of the type involved and their respective numbers of homeless families receiving child support supplements, as determined by the Secretary.

(B) If any State to which a grant is made under this paragraph finds that it does not require the full amount of such grant to conduct its demonstration project under this section in the fiscal year involved, the unused portion of such grant shall be reallocated to the other State conducting such projects in amounts based on need for assistance of the type involved, as determined by the Secretary.

(C) Amounts appropriated pursuant to paragraph (1), and grants made from such amounts, shall remain available until expended.

(i) The Secretary shall prescribe and publish regulations (including such requirements for data and documentation as he may find necessary) to implement the provisions of this section no later than six months after the date of its enactment.

[COMMUNITY WORK EXPERIENCE PROGRAMS]

[SEC. 409. [42 U.S.C. 609]] (a)(1) Any State which chooses to do so may establish a community work experience program in accordance with this section. The purpose of the community work experience program is to provide experience and training for individuals not otherwise able to obtain employment, in order to assist them to move into regular employment. Community work experience programs shall be designed to improve the employability of participants through actual work experience and training and to enable individuals employed under community work experience programs to move promptly into regular public or private employment. The facilities of the State public employment offices may be utilized to find employment opportunities for recipients under this program. Community work experience programs shall be limited to projects which serve a useful public purpose in fields such as health, social service, environmental protection, education, urban and rural development and redevelopment, welfare, recreation, public facilities, public safety, and day care. To the extent possible, the prior training, experience, and skills of a recipient shall be utilized in making appropriate work experience assignments. A community work experience program established under this section shall provide—

[(A) appropriate standards for health, safety, and other conditions applicable to the performance of work;

[(B) that the program does not result in displacement of persons currently employed, or the filling of established unfilled position vacancies;

[(C) reasonable conditions of work, taking into account the geographic region, the residence of the participants, and the proficiency of the participants;

[(D) that participants will not be required, without their consent, to travel an unreasonable distance from their homes or remain away from their homes overnight;

[(E) that the maximum number of hours in any month that a participant may be required to work is that number which equals the amount of aid payable with respect to the family of which such individual is a member under the State plan approved under this part, divided by the greater of the Federal or the applicable State minimum wage; and

[(F) that (i) except as provided in clause (ii) provision will be made for transportation and other costs, not in excess of an amount established by the Secretary, reasonably necessary and directly related to participation in the program, and (ii) to the extent that the State is unable to provide for the costs involved through the furnishing of services directly to the individuals participating in the program, participants who are recipients of aid under the State's plan approved under section 402 will instead be reimbursed for transportation costs directly related to their participation in the program (in amounts equal to the cost of transportation by the most appropriate means as determined by the State agency), and for day care expenses directly attributable to such participation (in amounts determined by the State agency to be reasonable, necessary, and cost-effective but not in excess of the comparable maximum day care deduction allowed under section 402(a)(8)(A)(iii) for recipients of aid under the plan generally); and amounts paid as reimbursement to participants under clause (i) or (ii) shall be considered, for purposes of section 403(a), to be expenditures made for the proper and efficient administration of the State's plan approved under section 402.

[(2) Nothing contained in this section shall be construed as authorizing the payment of aid under this part as compensation for work performed, nor shall a participant be entitled to a salary or to any other work or training expense provided under any other provision of law by reason of his participation in a program under this section.

[(3) Nothing in this part or part C, or in any State plan approved under this part, shall be construed to prevent a State from operating (on such terms and conditions and in such cases as the State may find to be necessary or appropriate, whether or not such terms, conditions, and cases are consistent with section 402(a)(19) or part C) a community work experience program in accordance with this section.

[(4)(A) Participant in community work experience programs under this section may, subject to subparagraph (B), perform work in the public interest (which otherwise meets the requirements of this section) for a Federal office or agency with its consent, and, notwithstanding section 1342 of title 31, United States codes, or any other provision of law, such agency may accept such services, but such participants shall not be considered to be Federal employees for any purpose.

[(B) The State agency shall provide appropriate workers' compensation and tort claims protection to each participant performing work for a Federal office or agency pursuant to subparagraph (A)

on the same basis as such compensation and protection are provided to other participants in community work experience programs in the State.

[(b)(1) Each recipient of aid under the plan who is registered under section 402(a)(19) shall participate, upon referral by the State agency, in a community work experience program unless such recipient is currently employed for no fewer than 80 hours a month and is earning an amount not less than the applicable minimum wage for such employment.

[(2) In addition to an individual described in paragraph (1), the State agency may also refer, for participation in programs under this section, an individual who would be required to register under section 402(a)(19)(A) but for the exception contained in clause (v) of such section (but only if the child for whom the parent or relative is caring is not under the age of three and child care is available for such child), or in clause (iii) of such section.

[(3) The chief executive officer of the State shall provide coordination between a community work experience program operated pursuant to this section, any program of employment search under section 402(a)(35), and the work incentive program operated pursuant to part C so as to insure that job placement will have priority over participation in the community work experience program, and that individuals eligible to participate in more than one such program are not denied aid under the State plan on the grounds of failure to participate in one such program if they are actively and satisfactorily participating in another. The chief executive officer of the State may provide that part-time participation in more than one such program may be required where appropriate.

[(c) The provisions of section 402(a)(19)(F) shall apply to any individual referred to a community work experience program who fails to participate in such program in the same manner as they apply to an individual to whom section 402(a)(19) applies.

[(d) In the case of any State which makes expenditures in the form described in subsection (a) under its State plan approved under section 402, expenditures for the proper and efficient administration of the State plan, for purposes of section 403(a)(3), may not include the cost of making or acquiring materials or equipment in connection with the work performed under a program referred to in subsection (a) or the cost of supervision of work under such program, and may include only such other costs attributable to such programs as are permitted by the Secretary.]

FOOD STAMP DISTRIBUTION

SEC. 410. [42 U.S.C. 610] (a) Any State [plan for aid and services to needy families with children] *child support supplement plan* may (but is not required under this title or any other provision of Federal law to) provide for the institution of procedures, in any or all areas of the State, by the State agency administering or supervising the administration of such plan under which any household participating in the food stamp program established by the Food Stamp Act of 1977, as amended, will be entitled, if it so elects, to have the charges, if any, for its coupon allotment under such program deducted from any aid, in the form of money pay-

ments, which is (or, except for the deduction of such charge, would be) payable to or with respect to such household (or any member or members thereof) under such plan and have its coupon allotment distributed to it with such aid.

* * * * *

PRORATING SHELTER ALLOWANCE OF AFDC FAMILY LIVING WITH ANOTHER HOUSEHOLD

SEC. 412. [42 U.S.C. 612] A State [plan for aid and services to needy families with children] *child support supplement plan* may provide that, in determining the need of any dependent child or relative claiming aid who is living with other individuals (not claiming aid together with such child or relative) as a household (as defined, for purposes of this section, by the Secretary), the amount included in the standard of need, and the payment standard, applied to such child or relative for shelter, utilities, and similar needs may be prorated on a reasonable basis, in such manner and under such circumstances as the State may determine to be appropriate. For purposes of any method of proration used by a State Under this section, there shall not be included as a member of a household an individual receiving benefits under title XVI in any month to whom the one-third reduction prescribed by section 1612(a)(2)(A)(i) is applied.

* * * * *

[WORK SUPPLEMENTATION PROGRAM

[SEC. 414. [42 U.S.C. 614] (a) It is the purpose of this section to allow a State to institute a work supplementation program under which such State, to the extent such State determines to be appropriate, may make jobs available, on a voluntary basis, as an alternative to aid otherwise provided under the State plan approved under this part.

[(b)(1) Notwithstanding the provisions of section 406 or any other provision of law, Federal funds may be paid to a State under this part, subject to the provisions of this section, with respect to expenditures incurred in operating a work supplementation program under this section.

[(2) Nothing in this part or part C, or in any State plan approved under this part, shall be construed to prevent a State from operating (on such terms and conditions and in such cases as the State may find to be necessary or appropriate, whether or not such terms, conditions, and cases are consistent with section 402(a)(19) or part (C) a work supplementation program in accordance with this section.

[(3) Notwithstanding section 402(a)(23) or any other provision of law, a State may adjust the levels of the standards of need under the State plan as the State determines to be necessary and appropriate for carrying out a work supplementation program under this section.

[(4) Notwithstanding section 402(a)(1) or any other provision of law, a State operating a work supplementation program under this section may provide that the needs standards in effect in those

areas of the State in which such program is in operation may be different from the needs standards in effect in the areas in which such program is not in operation, and such State may provide that the needs standards for categories of recipients of aid may vary among such categories as the State determines to be appropriate on the basis of ability to participate in the work supplementation program.

[(5) Notwithstanding any other provision of law, a State may make further adjustments in the amounts of aid paid under the plan to different categories of recipients (as determined under paragraph (4)) in order to offset increases in benefits from needs related programs (other than the State plan approved under this part) as the State determines to be necessary and appropriate to further the purposes of the work supplementation program.

[(6) Notwithstanding section 402(a)(8) or any other provision of law, a State operating a work supplementation program under this section (A) may reduce or eliminate the amount of earned income to be disregarded under the State plan as the State determines to be necessary and appropriate to further the purposes of the work supplementation program, and (B) during one or more of the first nine months of an individual's employment pursuant to a program under this section, may apply to the wages of the individual the provisions of section 402(a)(8)(A)(iv) without regard to the provisions of (B)(ii)(II) of such section.

[(c)(1) A work supplementation program operated by a State under this section shall provide that any individual who is an eligible individual (as determined under paragraph (2)) may choose to take a supplemented job (as defined in paragraph (3)) to the extent supplemented jobs are available under the program. Payments by the State to individuals or to employers under the program shall be expenditures incurred by the State for aid to families with dependent children, except as limited by subsection (d).

[(2) For purposes of this section, an eligible individual is an individual who is in a category which the State determines shall be eligible to participate in the work supplementation program, and who would, at the time of his placement in such job, be eligible for assistance under the State plan if such State did not have a work supplementation program in effect and had not altered its State plan accordingly, as such State plan was in effect in May 1981, or as modified thereafter as required by Federal law.

[(3) For purposes of this section, a supplemented job is—

[(A) a job position provided to an eligible individual by the State or local agency administering the State plan under this part; or

[(B) a job position provided to an eligible individual by any other employer for which all or part of the wages are paid by such State or local agency.

A State may provide or subsidize any job position under the program as such State determines to be appropriate, but acceptance of any such position shall be voluntary.

[(d) The amount of the Federal payment to a State under section 403 for expenditures incurred in making payments to individuals and employers under a work supplementation program shall not exceed an amount equal to the amount which would otherwise be

payable under such section if the family of each individual employed in the program established in such State under this section had received the maximum amount of aid payable under the State plan to such a family with no income (without regard to adjustments under subsection (b) of this section) for a period of months equal to the lesser of (1) nine months, or (2) the number of months in which such individual was employed in such program.

[(e)(1) Nothing in this section shall be construed as requiring a State or local agency administering the State plan to provide employee status to any eligible individual to whom it provides a job position under the work supplementation program, or with respect to whom it provides all or part of the wages paid to such individual by another entity under such program.

[(2) Nothing in this section shall be construed as requiring such State or local agency to provide that eligible individuals filling job positions provided by other entities under such program be provided employee status by such entity during the first 13 weeks during which they fill such position.

[(3) Wages paid under a work supplementation program shall be considered to be earned income for purposes of any provision of law.

[(f) Any work supplementation program operated by a State shall be administered by—

[(1) the agency designated to administer or supervise the administration of the State plan under section 402(a)(3); or

[(2) the agency (if any) designated to administer the community work experience program under section 409.

[(g) Any State which choose to operate a work supplementation program under this section may choose to provide that any individual who participates in such program, and any child or relative of such individual (or other individual living in the same household as such individual who would be eligible for aid under the State plan approved under this part if such State did not have a work supplementation program, shall be considered individuals receiving aid under the State plan approved under this part for purposes of eligibility for medical assistance under the State plan approved under title XIX.

[(h) No individual receiving a grant under the State plan shall be excused by reason of the fact that such State has a work supplementation program, from any requirements (except during any period in which such individuals is employed under such work supplementation program).]

* * * * *

JOB OPPORTUNITIES AND BASIC SKILLS TRAINING PROGRAM

SEC. 417. (a) It is the purpose of this section to assure that needy families with children obtain the education, training, and employment that will help them avoid long-term welfare dependence.

(b)(1) As a condition of its participation in the child support supplement program under this part, each State shall establish and operate a job opportunities and basic skills training program (in this section referred to as the "program") under a plan approved by the Secretary as meeting all of the requirements of this section and (not

later than three years after the date of enactment of this section) shall make the program available in each political subdivision of the State (unless the State demonstrates to the satisfaction of the Secretary that it is not feasible to make the program available in each such subdivision because of the needs and circumstances of local economies, the number of prospective participants, and other relevant variables). The State shall, in accordance with regulations prescribed by the Secretary, periodically review and update its plan and submit the updated plan for approval by the Secretary.

(2) Each State program shall include private sector involvement in planning and program design to assure that participants are prepared for jobs that will be available in the community.

(3) The State agency that administers or supervises the administration of the State's plan approved under section 402 shall be responsible for the administration or supervision of the administration of the State's program.

(4) Federal funds made available to a State for purposes of the program shall not be used to supplant non-Federal funds for existing services and activities which promote the purpose of this section. State or local funds expended for such purposes shall be maintained at least the level of such expenditures for fiscal year 1987.

(c)(1)(A) Except as otherwise provided in this subsection, each State shall to the extent that the program is available in the applicable political subdivision and State resources otherwise permit—

(i) require every recipient of child support supplements in the State with respect to whom the State guarantees child care in accordance with section 402(g) to participate in such program; and

(ii) allow applicants for and recipients of child support supplements (and individuals who would be recipients of such supplements if the State had not exercised the option under section 407(b)(2)(B)(i) who are not required under clause (i) to participate in the program to do so on a voluntary basis.

(B) A State may require or allow absent parents who are unemployed and unable to meet their child support obligations to participate in the program under this section.

(C) In determining the priority of participation by individuals from among those groups described in clauses (i), (ii), and (iii) of section 403(k)(2)(B), the State shall give first consideration to applicants for or recipients of child support supplements within any such group who volunteer to participate in the program.

(D) No State shall be required to require or allow participation of an individual in the program if as a result of such participation the amount payable to the State for quarters in a fiscal year with respect to the program would be reduced pursuant to section 403(k)(2).

(2)(A) An individual may not be required to participate in the program if such individual—

(i) is ill, incapacitated, or of advanced age;

(ii) is needed in the home because of the illness or incapacity of another member of the household;

(iii) subject to subparagraph (B) and subsection (e)(1)(B), is the parent or other relative of a child under the age of three (or, at the option of the State, any age that is less than three but not

less than one), who is personally providing care for the child with only very brief and infrequent absences from the child;

(iv) works 30 or more hours a week;

(v) is a child who is under age 16 or attends, full-time, an elementary, secondary, or vocational (or technical) school;

(vi) is pregnant if it has been medically verified that the child is expected to be born in the month in which such participation would otherwise be required or within the three-month period immediately following such month; or

(vii) resides in an area of the State where the program is not available.

(B) In the case of a family eligible for child support supplements by reason of unemployment of the parent who is the principal earner, subparagraph (A)(iii) shall apply only to one parent; except that in the case of such family, the State may at its option make such subparagraph inapplicable to both of the parents (and require their participation in the program) if child care is guaranteed with respect to the family.

(3) Any individual who is required or allowed to participate in the program and who is—

(A) the parent or relative of a child under the age of six who is providing care for such child, and

(B) not the principal earner (in the case of a family that is eligible for child support supplements by reason of the unemployment of the parent who is the principal earner);

shall not be required (but may be encouraged) to participate in the program for more than a total of 24 hours a week; except that the State may require an individual to participate on a full-time basis (in excess of 24 hours a week) in any of the educational activities described in subclause (I), (II), or (III) of subsection (e)(1)(A)(ii).

(4) If an individual who is required or allowed to participate in the program is already attending (in good standing) a school or a course of vocational or technical training designed to lead to employment at the time he or she would otherwise commence participation in the program, such attendance may constitute satisfactory participation in the program so long as such individual continues to participate in good standing. The costs of such school or course of training (whether or not paid by the State) may not be included as expenditures under the State plan for purposes of section 403 (but expenditures by the State for providing, or making reimbursement for the cost of, such child care as is necessary (as determined by the State) for attending such school or course of training may be included).

(d)(1)(A) The State agency shall make an initial assessment of the education and employment skills of each participant in the program and shall conduct a review of such participant's family circumstances. On the basis of such assessment and review, such agency may develop an employability plan for each such participant which, to the maximum extent possible, reflects the preferences of the participant.

(B) In making the initial assessment and developing (if at all) the employability plan under subparagraph (A) with respect to any participant in the program who has attained the age of 22 and does not

have a high-school diploma, the State agency shall place emphasis on meeting the educational needs of the participant.

(2) Following the initial assessment and review and the development of the employability plan with respect to any participant in the program, the State agency may require each participant (or the adult caretaker in the family of which the participant is a member) to negotiate and enter into a contract with the State agency that specifies such matters as the participant's obligations, the duration of participation in the program, and the activities to be conducted and the services to be provided in the course of such participation. If the State agency exercises the option under the preceding sentence, each participant shall be given such assistance as he or she may require in reviewing and understanding the contract.

(3) The State agency may require the assignment of a case manager to each participant and the participant's family. The case manager so assigned shall be responsible for assisting the family to obtain any services which may be needed to assure effective participation in the program.

(e)(1)(A) In carrying out the program, each State may make available a broad range of services and activities to aid in carrying out the purpose of this section. Such services and activities—

(i) shall include basic education and skills training; and

(ii) may include—

(I) high school or equivalent education (combined with training when appropriate);

(II) remedial education to achieve a basic literacy level;

(III) instruction in English as a second language;

(IV) post-secondary education (as appropriate);

(V) on-the-job training;

(VI) work supplementation programs as provided in subsection (f);

(VII) community work experience programs as provided in subsection (g);

(VIII) group and individual job search as provided in subsection (h);

(IX) job readiness activities to help prepare participants for work;

(X) job development, job placement, and follow-up services, as needed, to assist participants in securing and retaining employment and advancement; and

(XI) other employment, education, and training activities as determined by the State and allowed by regulations of the Secretary.

(B)(i) Subject to clause (ii), in the case of a custodial parent who has not attained 22 years of age, has not successfully completed a high-school education (or its equivalent), and is required to participate in the program (including an individual who would otherwise not be required to participate in the program solely by reason of subsection (c)(2)(A)(iii)), the State agency shall require such parent to participate in the activities described in subclause (I) or (where appropriate) subclause (II) or (III) of subparagraph (A)(ii).

(ii) The State agency may require a custodial parent described in clause (i) to participate in training or work activities (in lieu of the educational activities under such clause) if such parent fails to

make good progress in successfully completing such educational activities or if it is determined (prior to any assignment of the individual to such educational activities) pursuant to an educational assessment that participation in such educational activities is inappropriate for such parent.

(2) In assigning participants to any program activity, the State agency—

(A) shall assure that—

(i) the assignment takes into account the physical capacity, skills, experience, health and safety, family responsibilities, and place of residence of such participant, and

(ii) the participant will not be required, without his or her consent, to travel an unreasonable distance from his or her home or remain away from such home overnight; and

(B) may base the assignment on available resources, the participant's circumstances, and local employment opportunities.

(3) Wage rates for jobs to which participants are assigned under this section shall be not less than the greater of the Federal minimum wage or applicable State minimum wage. Appropriate worker's compensation and tort claims protection shall be provided to all participants on the same basis as such compensation and protection are provided to other individuals in the State in similar employment (as determined under regulations issued by the Secretary).

(4)(A) No work assignment under this section (including any assignment made under subsection (f) or (g)) shall result in—

(i) the displacement of any currently employed worker or position (including partial displacement such as a reduction in the hours of nonovertime work, wages, or employment benefits),

(ii) the filling of established unfilled position vacancies,

(iii) any infringement of the promotional opportunities of any currently employed individual, or

(iv) the impairment of existing contracts for services or collective bargaining agreements.

(B) No participant shall be assigned to fill a job opening under this section when—

(i) any individual is on layoff from the same or any substantially equivalent job, or

(ii) the employer has terminated the employment of any regular employee or otherwise reduced its workforce.

(C) The State shall establish and maintain (pursuant to regulations jointly issued by the Secretary and the Secretary of Labor) a grievance procedure for resolving complaints by regular employees or their representatives that the work assignment of an individual under the program violates any of the prohibitions described in subparagraph (A) or (B). A decision of the State under such procedure may be appealed to the Secretary of Labor for investigation and such action as such Secretary may find necessary.

(5)(A) Except as provided in subparagraph (B), the State agency may not require a participant in the program to accept a job under the program (as work supplementation or otherwise) if accepting the job would result in a net loss of income (including the value of any food stamp benefits and the insurance value of any health benefits) to the family of the participant.

(B) The State agency may require a participant to accept a job described in subparagraph (A) if the State agency makes a supplementary payment in an amount that is sufficient to maintain the income of the family at a level no less than what would be the level of income in the absence of earnings received from such job. For purposes of sections 403 and 1902(a)(10)(A)(i)(I), a supplementary payment made under this subparagraph shall be treated as a child support supplement.

(6)(A) The Governor shall assure that program activities are coordinated in each State with programs operated under the Job Training Partnership Act and with any other relevant employment, training, and education programs available in the State.

(B) The Secretary shall on a continuing basis consult with the Secretaries of Education and Labor for the purpose of assuring the maximum coordination of education and training services in the development and implementation of the program under this section.

(C) The State agency shall consult with the State education agency and the agency responsible for administering job training programs in the State in order to promote coordination of the planning and delivery of services under the program with programs operated under the Job Training Partnership Act and with education programs available in the State (including any program under the Adult Education Act or Carl D. Perkins Vocational Education Act).

(7) In carrying out the program under this section, the State agency may enter into appropriate contracts and other arrangements with public and private agencies and organizations for the provision or conduct of any services or activities under the program.

(f)(1) Any State may institute a work supplementation program under which such State, to the extent it considers appropriate, may reserve the sums that would otherwise be payable to participants in the program as child support supplements and use such sums instead for the purpose of providing and subsidizing jobs for such participants (as described in paragraph (3)(C) (i) and (ii)), as an alternative to the child support supplements which would otherwise be so payable to them.

(2)(A) Notwithstanding the provisions of section 406 or any other provision of law, Federal funds may be paid to a State under this part, subject to the provisions of this subsection, with respect to expenditures incurred in operating a work supplementation program under this subsection.

(B) Nothing in this part, or in any State plan approved under this part, shall be construed to prevent a State from operating (on such terms and conditions and in such cases as the State may find to be necessary or appropriate) a work supplementation program in accordance with this subsection and subsection (e).

(C) Notwithstanding section 402(a)(23) or any other provision of law, a State may adjust the levels of the standards of need under the State plan as the State determines to be necessary and appropriate for carrying out a work supplementation program under this subsection.

(D) Notwithstanding section 402(a)(1) or any other provision of law, a State operating a work supplementation program under this subsection may provide that the need standards in effect in those areas of the State in which such program is in operation may be dif-

ferent from the need standards in effect in the areas in which such program is not in operation, and such State may provide that the need standards for categories of recipients may vary among such categories to the extent the State determines to be appropriate on the basis of ability to participate in the work supplementation program.

(E) Notwithstanding any other provision of law, a State may make such further adjustments in the amounts of the child support supplements paid under the plan to different categories of recipients (as determined under subparagraph (D)) in order to offset increases in benefits from needs-related programs (other than the State plan approved under this part) as the State determines to be necessary and appropriate to further the purposes of the work supplementation program.

(F) In determining the amounts to be reserved and used for providing and subsidizing jobs under this subsection as described in paragraph (1), the State may use a sampling methodology.

(G) Notwithstanding section 402(a)(8) or any other provision of law, a State operating a work supplementation program under this subsection (i) may reduce or eliminate the amount of earned income to be disregarded under the State plan as the State determines to be necessary and appropriate to further the purposes of the work supplementation program, and (ii) during one or more of the first nine months of an individual's employment pursuant to a program under this section, may apply to the wages of the individual the provisions of section 402(a)(8)(A)(iv) without regard to the provisions of (B)(ii)(II) of such section.

(3)(A) A work supplementation program operated by a State under this subsection may provide that any individual who is an eligible individual (as determined under subparagraph (B)) shall take a supplemented job (as defined in subparagraph (C)) to the extent that supplemented jobs are available under the program. Payments by the State to individuals or to employers under the work supplementation program shall be treated as expenditures incurred by the State for child support supplements except as limited by paragraph (4).

(B) For purposes of this subsection, an eligible individual is an individual who is in a category which the State determines should be eligible to participate in the work supplementation program, and who would, at the time of placement in the job involved, be eligible for child support supplements under the State plan if such State did not have a work supplementation program in effect.

(C) For purposes of this section, a supplemented job is—

- (i) a job provided to an eligible individual by the State or local agency administering the State plan under this part; or
- (ii) a job provided to an eligible individual by any other employer for which all or part of the wages are paid by such State or local agency.

A State may provide or subsidize any job under the program which such State determines to be appropriate.

(4) The amount of the Federal payment to a State under section 403 for expenditures incurred in making payments to individuals and employers under a work supplementation program under this subsection shall not exceed an amount equal to the amount which would otherwise be payable under such section if the family of each

individual employed in the program established in such State under this subsection had received the maximum amount of child support supplements payable under the State plan to such a family with no income (without regard to adjustments under paragraph (2) of this subsection) for a period of months equal to the lesser of (A) nine months, or (B) the number of months in which such individual was employed in such program.

(5)(A) Nothing in this subsection shall be construed as requiring the State or local agency administering the State plan to provide employee status to an eligible individual to whom it provides a job under the work supplementation program (or with respect to whom it provides all or part of the wages paid to the individual by another entity under program), or as requiring any State or local agency to provide that an eligible individual filling a job position provided by another entity under such program be provided employee status by such entity during the first 13 weeks such individual fills that position.

(B) Wages paid under a work supplementation program shall be considered to be earned income for purposes of any provision of law.

(6) Any State that chooses to operate a work supplementation program under this subsection shall provide that any individual who participates in such program, and any child or relative of such individual (or other individual living in the same household as such individual) who would be eligible for child support supplements under the State plan approved under this part if such State did not have a work supplementation program, shall be considered individuals receiving child support supplements under the State plan approved under this part for purposes of eligibility for medical assistance under the State plan approved under title XIX.

(7) No individual receiving child support supplements under the State plan shall be excused by reason of the fact that such State has a work supplementation program from any requirement of this part relating to work requirements, except during periods in which such individual is employed under such work supplementation program.

(g)(1)(A) Any State may establish a community work experience program in accordance with this subsection. The purpose of the community work experience program is to provide experience and training for individuals not otherwise able to obtain employment, in order to assist them to move into regular employment. Community work experience programs shall be designed to improve the employability of participants through actual work experience and training and to enable individuals employed under community work experience programs to move promptly into regular public or private employment. The facilities of the State public employment offices may be utilized to find employment opportunities for recipients under this program. Community work experience programs shall be limited to projects which serve a useful public purpose in fields such as health, social service, environmental protection, education, urban and rural development and redevelopment, welfare, recreation, public facilities, public safety, and day care. To the extent possible, the prior training, experience, and skills of a recipient shall be used in making appropriate work experience assignments.

(B) A State that elects to establish a community work experience program under this subsection shall operate such program so that

each participant (as determined by the State) either works or undergoes training (or both) with the maximum number of hours that any such individual may be required to work in any month being a number equal to the amount of child support supplements payable with respect to the family of which such individual is a member under the State plan approved under this part, divided by the greater of the Federal minimum wage or the applicable State minimum wage (and the portion of a recipient's child support supplements for which the State is reimbursed by a child support collection shall not be taken into account in determining the number of hours that such individual may be required to work).

(C) Nothing contained in this subsection shall be construed as authorizing the payment of child support supplements under this part as compensation for work performed, nor shall a participant be entitled to a salary or to any other work or training expense provided under any other provision of law by reason of his participation in a program under this subsection.

(D) Nothing in this part or in any State plan approved under this part shall be construed to prevent a State from operating (on such terms and conditions and in such cases as the State may find to be necessary or appropriate) a community work experience program in accordance with this subsection and subsection (e).

(E) Participants in community work experience programs under this subsection may perform work in the public interest (which otherwise meets the requirements of this subsection) for a Federal office or agency with its consent, and, notwithstanding section 1342 of title 31, United States Code, or any other provision of law, such agency may accept such services, but such participants shall not be considered to be Federal employees for any purpose.

(2) The State agency shall provide coordination among a community work experience program operated pursuant to this subsection, any program of job search under subsection (h), and the other employment-related activities under the program established by this section so as to insure that job placement will have priority over participation in the community work experience program, and that individuals eligible to participate in more than one such program are not denied child support supplements on the grounds of failure to participate in one such program if they are actively and satisfactorily participating in another. The State agency may provide that part-time participation in more than one such program may be required where appropriate.

(3) In the case of any State that makes expenditures in the form described in paragraph (1) under its State plan approved under section 402, expenditures for the operation and administration of the program under this section may not include, for purposes of section 403, the cost of making or acquiring materials or equipment in connection with the work performed under a program referred to in paragraph (1) or the cost of supervision of work under such program, and may include only such other costs attributable to such programs as are permitted by the Secretary.

(h)(1) The State agency may establish and carry out a program of job search for individuals participating in the program under this section.

(2) *The State agency may require job search by an individual applying for or receiving child support supplements (other than an individual described in subsection (c)(2)(A) who is not an individual with respect to whom subsection (c)(2)(B) applies—*

(A) *subject to the last sentence of this paragraph, beginning at the time such individual applies for child support supplements and continuing for a period (prescribed by the State) of not more than eight weeks (but this requirement may not be used as a reason for any delay in making a determination of an individual's eligibility for such supplements or in issuing a payment to or on behalf of any individual who is otherwise eligible for such supplements); and*

(B) *at such time or times after the close of the period prescribed under subparagraph (A) as the State agency may determine but not to exceed a total of eight weeks in any period of 12 consecutive months.*

In no event may an individual be required to participate in job search for more than three weeks before the State agency conducts the assessment and review with respect to such individual under subsection (d)(1)(A).

(i)(1) *If an individual who is required by the provisions of this section to participate in the program or who is so required by reason of the State's having exercised the option under subsection (c)(2)(B) fails without good cause to participate in such program or refuses without good cause to accept employment in which such individual is able to engage which is offered through the public employment offices of the State, or is otherwise offered by an employer if the offer of such employer is determined to be a bona fide offer of employment—*

(A) *in the case of a relative who so fails (or refuses), such relative's needs shall not be taken into account in making the determination under section 402(a)(7), and child support supplements for any dependent child in the family (other than a family eligible by reason of the unemployment of the parent who is the principal earner) in the form of payments of the type described in section 406(b)(2) (which in such a case shall be without regard to clauses (A) and (D) thereof) or section 472 will be made unless the State agency, after making reasonable efforts, is unable to locate an appropriate individual to whom such payments can be made;*

(B) *in the case of an individual who is the principal earner in a family that is eligible for child support supplements by reason of the unemployment of such principal earner who so fails (or refuses), child support supplements shall be denied to all members of the family;*

(C) *in the case of a child who is the only child in the family receiving child support supplements who so fails (or refuses), child support supplements with respect to such family shall be denied;*

(D) *in the case of a child who is not the only child in the family receiving child support supplements who so fails (or refuses), child support supplements with respect to such child shall be denied and such child's needs shall not be taken into*

account in making the determination under section 402(a)(7); and

(E) in the case of an individual (living in the same household as a child or relative) who so fails (or refuses), such individual's needs shall not be taken into account in making the determination under section 402(a)(7)).

In the case of an individual described in subsection (c)(3), no sanction shall be imposed under this section on the basis of refusal to accept employment if the employment would require such individual to work more than 24 hours a week. For purposes of this subsection, in any situation where child care (or day care for any incapacitated individual living in the same home as a dependent child) is necessary for an individual's participation in the program or acceptance of employment, the lack of such care shall be considered good cause for refusing to participate in such program or accept such employment.

(2)(A) Any sanction described in paragraph (1) shall continue—

(i) in the case of the individual's first failure to comply, until the failure to comply ceases;

(ii) in the case of the individual's second failure to comply, until the failure to comply ceases or three months (whichever is longer); and

(iii) in the case of any subsequent failure to comply, until the failure to comply ceases or six months (whichever is longer).

(B) The State agency shall notify a recipient of any failure to comply under this subsection and shall indicate (as part of such notice) what action or actions must be taken to terminate the sanction.

(j) Each State shall establish a conciliation procedure for the resolution of disputes involving an individual's participation in the program and (if any such dispute is not resolved through conciliation) shall provide an opportunity for a hearing with respect to any such dispute, which hearing may be provided through a hearing process established for purposes of resolving disputes with respect to the program or through the provision of a hearing pursuant to section 402(a)(4), but in no event shall child support supplements be suspended, reduced, discontinued, or terminated as a result of a dispute involving an individual's participation in the program until such individual has an opportunity for a hearing that meets the standards set forth by the United States Supreme Court in *Goldberg v. Kelly*, 397 U.S. 254 (1970).

(k)(1) Each State with a plan approved under this section shall be entitled to payments under section 403(k) for any fiscal year in an amount equal to the sum of the applicable percentages (specified in section 403(k)) of its expenditures to carry out the program (subject to limitations prescribed by or pursuant to this section on expenditures that may be included for purposes of determining payment under section 403(k)), but such payments for any fiscal year in the case of any State may not exceed the limitation determined under paragraph (2) with respect to the State.

(2) The limitation determined under this paragraph with respect to a State for any fiscal year is—

(A) the amount allotted to the State for fiscal year 1987 under part C of this title as then in effect, plus

(B) the amount that bears the same ratio to the amount specified in paragraph (3) for such fiscal year as the average monthly number of adult recipients (as defined in paragraph (4)) in the State in the preceding fiscal year bears to the average monthly number of such recipients in all the States for such preceding year.

(3) The amount specified in this paragraph is—

(A) \$500,000,000 in the case of fiscal year 1989,

(B) \$650,000,000 in the case of fiscal year 1990,

(C) \$800,000,000 in the case of fiscal year 1991, and

(D) \$1,000,000,000 in the case of fiscal year 1992 and each fiscal year thereafter;

reduced by the aggregate amount allotted to all the States for fiscal year 1987 pursuant to part C of this title as then in effect.

(4) For purposes of this subsection, the term "adult recipient" in the case of any State means an individual other than a dependent child (unless such child is the custodial parent of another dependent child) whose needs are met (in whole or in part) with child support supplements.

(1)(1) If, within six months after the date of enactment of the Family Security Act of 1988, an Indian tribe applies to the Secretary to conduct a work, training, and education program to carry out the purpose of this section, and the Secretary approves such tribe's application, the maximum amount that may be paid under section 403(k) to the State in which such tribe is located shall be reduced by the Secretary in accordance with paragraph (2) and an amount equal to the amount of such reduction shall be paid directly to such Indian tribe (without the requirement of any nonfederal share) for the operation of its work, training, and education program.

(2) The amount of the reduction under paragraph (1) with respect to any State in which is located an Indian tribe with an application approved under such paragraph shall be an amount equal to the amount that bears the same ratio to the maximum amount that could be paid under section 403(k) to the State as the number of the adult members of such Indian tribe receiving child support supplements under this part bears to the number of all such adult recipients in the State.

(3) The work, training, and education program set forth in the application of an Indian tribe under paragraph (1) need not meet any requirement of the program under this section that the Secretary determines is inappropriate with respect to such work, training, and education program.

(4) The work, education, and training program of any Indian tribe may be terminated voluntarily by such tribe or may be terminated by the Secretary upon a finding that the tribe is not conducting such program in substantial conformity with the terms of the application approved by the Secretary, and the maximum amount that may be paid under section 403(k) to the State within which the tribe is located (as reduced pursuant to paragraph (1)) shall be increased by any portion of the amount retained by the Secretary with respect to such program (and not payable to such tribe for obligations already incurred). The reduction under paragraph (1) shall in no event apply to a State for any fiscal year beginning after such pro-

gram is terminated if no other such program remains in operation in the State.

(5)(A) Subject to subparagraph (B), for purposes of this subsection, an Indian tribe is any tribe, band, nation, or other organized group or community of Indians, including any Alaska Native village or regional or village corporation (as defined in, or established pursuant to, the Alaska Native Claims Settlement Act), that—

(i) is recognized as eligible for the special programs and services provided by the United States to Indians because of their status as Indians; and

(ii) for which a reservation (as defined in section 3(d) of the Indian Financing Act of 1974) exists.

(B) The references to “Alaska Native village” and “regional or village corporation” in subparagraph (A) shall not be construed to grant or defer any status or powers other than those expressly granted in this subsection. Nothing in subparagraph (A) shall be construed to validate or invalidate any claim by Alaska Natives of sovereign authority over lands or people.

LIMITATIONS ON CHILD CARE FOR FAMILIES AFTER LOSS OF ELIGIBILITY

SEC. 418. The limitations described in this section with respect to child care provided under section 402(g)(1)(A)(ii) are as follows:

(1) A family shall only be eligible for such care—

(A) if such family was receiving child support supplements under this part in at least three of the six months immediately preceding the month in which the family becomes ineligible for such supplements;

(B)(i) for a period of nine months after the last month for which the family received child support supplements under this part, and

(ii) for a total of nine months in any 36-month period (regardless of whether such months are consecutive); and

(C) for a month in which the family includes a child who is (or would if need be) a dependent child.

(2) A family shall not be eligible for such care for any month beginning after the parent or other caretaker relative of the family has—

(A) submitted false or misleading information in order to obtain child support supplements under this part;

(B) been subject to a sanction under section 417(i) (but only if such parent or caretaker relative has been subject to the sanction within the preceding 12 months);

(C) without good cause, terminated his or her employment, refused to accept employment, or reduced his or her hours of employment; or

(D) failed to cooperate with the State as required under subparagraph (B) or (C) of section 402(a)(26).

(3) A family shall contribute to the costs of such care in accordance with a sliding scale based on ability to pay that is established by the State and approved by the Secretary.

ASSISTANT SECRETARY FOR FAMILY SUPPORT

SEC. 419. The programs under this part and part D shall be administered by an Assistant Secretary for Family Support within the Department of Health and Human Services, who shall be appointed by the President, by and with the advice and consent of the Senate, and who shall be in addition to any other Assistant Secretary of Health and Human Services provided by law.

* * * * *

ALLOTMENTS TO STATES

SEC. 421. [42 U.S.C. 621] (a) The sum appropriated pursuant to section 420 for each fiscal year shall be allotted by the Secretary for use by cooperating State public welfare agencies which have plans developed jointly by the State agency and the Secretary as follows: He shall first allot \$70,000 to each State, and shall then allot to each State an amount which bears the same ratio to the remainder of such sum as the product of (1) the population of the State under the age of twenty-one and (2) the allotment percentage of the State (as determined under this section) bears to the sum of the corresponding products of all the States.

(b) The "allotment percentage" for any State shall be 100 per centum less the State percentage; and the State percentage shall be the percentage which bears the same ratio to 50 per centum as the per capita income of such State bears to the per capita income of the United States; except that (1) the allotment percentage shall in no case be less than 30 per centum or more than 70 per centum, and (2) the allotment percentage shall be 70 per centum in the case of Puerto Rico, the Virgin Islands, [and Guam] *Guam, and American Samoa.*

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**[PART C—WORK INCENTIVE PROGRAM FOR RECIPIENTS OF AID
UNDER STATE PLAN APPROVED UNDER PART A**

[PURPOSE

[SEC. 430. [42 U.S.C. 630] The purpose of this part is to require the establishment of a program utilizing all available manpower services, including those authorized under other provisions of law, under which individuals receiving aid to families with dependent children will be furnished incentives, opportunities, and necessary services in order for (1) the employment of such individuals in the regular economy, (2) the training of such individuals for work in the regular economy, and (3) the participation of such individuals in public service employment, thus restoring the families of such individuals to independence and useful roles in their communities. It is expected that the individuals participating in the program established under this part will acquire a sense of dignity, self-worth, and confidence which will flow from being recognized as a wage-earning member of society and that the example of a working adult in these families will have beneficial effects on the children in such families.

[APPROPRIATION

[SEC. 431. [42 U.S.C. 631] (a) There is hereby authorized to be appropriated to the Secretary of Health and Human Services for each fiscal year a sum sufficient to carry out the purposes of this part. The Secretary of Health and Human Services shall transfer to the Secretary of Labor from time to time sufficient amounts, out of the moneys appropriated pursuant to this section, to enable him to carry out such purposes.

[(b) Of the amounts expended from funds appropriated pursuant to subsection (a) for any fiscal year (commencing with the fiscal year ending June 30, 1973), not less than 33⅓ per centum thereof shall be expended for carrying out the program of on-the-job training referred to in section 432(b)(1)(B) and for carrying out the program of public service employment referred to in section 432(b)(3).

[(c) Of the sums appropriated pursuant to subsection (a) to carry out the provisions of this part for any fiscal year (commencing with the fiscal year ending June 30, 1973), not less than 50 percent shall be allotted among the States in accordance with a formula under which each State receives (from the total available for such allotment) an amount which bears the same ratio to such total as—

[(1) in the case of the fiscal year ending June 30, 1973, and the fiscal year ending June 30, 1974, the average number of recipients of aid to families with dependent children in such State during the month of January last preceding the commencement of such fiscal year bears to the average number of such recipients during such month in all the States; and

[(2) in the case of the fiscal year ending June 30, 1975, or in the case of any fiscal year thereafter, the average number of individuals in such State who, during the month of January last preceding the commencement of such fiscal year, are registered pursuant to section 402(a)(19)(A) bears to the average number of individuals in all States who, during such month, are so registered.

[ESTABLISHMENT OF PROGRAMS

[SEC. 432. [42 U.S.C. 632] (a) The Secretary of Labor (hereinafter in this part referred to as the Secretary) shall, in accordance with the provisions of this part, establish work incentive programs (as provided for in subsection (b) of this section) in each State and in each political subdivision of a State in which he determines there is a significant number of individuals who have attained age 16 and are receiving aid to families with dependent children. In other political subdivisions, he shall use his best efforts to provide such programs either within such subdivisions or through the provision of transportation for such persons to political subdivisions of the State in which such programs are established.

[(b) Such programs shall include, but shall not be limited to, (1)(A) a program placing as many individuals as is possible in employment, which may include intensive job search services, including participation in group job search activities, and (B) a program utilizing on-the-job training positions for others, (2) a program of institutional and work experience training for those individuals for whom such training is likely to lead to regular employment, and (3)

a program of public service employment for individuals for whom a job in the regular economy cannot be found.

[(c) In carrying out the purposes of this part of the Secretary may make grants to, or enter into agreements with, public or private agencies or organizations (including Indian tribes with respect to Indians on a reservation), except that no such grant or agreement shall be made to or with a private employer for profit or with a private nonprofit employer not organized for a public purpose for purposes of the work experience program established by clause (2) of subsection (b).

[(d) In providing the training and employment services and opportunities required by this part, the Secretary shall, to the maximum extent feasible, assure that such services and opportunities are provided by using all authority available under this or any other Act. In order to assure that the services and opportunities so required are provided, the Secretary (1) shall assure, when appropriate, that registrants under this part are referred for training and employment services under the Job Training Partnership Act, and (2) may use the funds appropriated under this part to provide programs required by this part through such other Acts to the same extent and under the same conditions (except as regards the Federal matching percentage) as if appropriated under such other Act and, in making use of the programs of other Federal, State, or local agencies (public or private), the Secretary may reimburse such agencies for services rendered to individuals under this part to the extent that such services and opportunities are not otherwise available on a nonreimbursable basis.

[(e) The Secretary shall take appropriate steps to assure that the present level of manpower services available under the authority of other statutes to recipients of aid to families with dependent children is not reduced as a result of programs under this part.

[(f)(1) The Secretary shall utilize the services of each private industry council (as established under the Job Training Partnership Act) to identify and provide advice on the types of jobs available or likely to become available in the service delivery area of such council.

[(2) The Secretary shall not conduct, in any area, institutional training under any program established pursuant to subsection (b) of any type which is not related to jobs of the type which are or are likely to become available in such area as determined by the Secretary after taking into account information provided by the private industry council for such area.

[OPERATION OF PROGRAM

[SEC. 433. [42 U.S.C. 633] (a) The Secretary shall provide a program of testing and counseling for all persons certified to him by a State, pursuant to section 402(a)(19)(G), and shall select those persons whom he finds suitable for the programs established by clauses (1) and (2) of section 432(b). Those not so selected shall be deemed suitable for the program established by clause (3) of such section 432(b) unless the Secretary finds that there is good cause for an individual not to participate in such program. The Secretary, in carrying out such program for individuals certified to him

under section 402(a)(19)(G), shall accord priority to such individuals in the following order, taking into account employability potential: first, unemployed parents who are the principal earners (as defined in section 407); second, mothers, whether or not required to register pursuant to section 402(a)(19)(A), who volunteer for participation under a work incentive program; third, other mothers, and pregnant women, registered pursuant to section 402(a)(19)(A), who are under 19 years of age; fourth, dependent children and relatives who have attained age 16 and who are not in school or engaged in work or manpower training; and fifth, all other individuals so certified to him.

[(b)(1) For each State the Secretary shall develop jointly with the administrative unit of such State administering the special program referred to in section 402(a)(19)(G) a statewide operational plan.

[(2) The statewide operational plan shall prescribe how the work incentive program established by this part will be operated at the local level, and shall indicate (i) for each area within the State the number and type of positions which will be provided for training, for on-the-job training, and for public service employment, (ii) the manner in which information provided by the private industry council under the Job Training Partnership Act for any such area will be utilized in the operation of such program, and (iii) the particular State agency or administrative unit thereof which will be responsible for each of the various activities and functions to be performed under such program. Any such operational plan for any State must be approved by the Secretary, the administrative unit of such State administering the special program referred to in section 402(a)(19)(G), and the regional joint committee (established pursuant to section 439) for the area in which such State is located.

[(3) The Secretary shall develop an employability plan for each suitable person certified to him pursuant to section 402(a)(1)(G) which shall describe the education, training, work experience, and orientation which it is determined that such person needs to complete in order to enable him to become self-supporting.

[(c) The Secretary shall make maximum use of services available from other Federal and State agencies and, to the extent not otherwise available on a nonreimbursable basis, he may reimburse such agencies for services rendered to persons under this part.

[(d) To the extent practicable and where necessary, work incentive programs established by this part shall include, in addition to the regular counseling, testing, and referral available through the Federal-State Employment Service System, program orientation, basic education, training in communications and employability skills, work experience, institutional training, on-the-job training, job development, and special job placement and followup services, required to assist participants in securing and retaining employment and securing possibilities for advancement.

[(e)(1) In order to develop public service employment under the program established by section 432(b)(3), the Secretary shall enter into agreements with (A) public agencies, (B) private nonprofit organizations established to serve a public purpose, and (C) Indian tribes with respect to Indians on a reservation, under which indi-

viduals deemed suitable for participation in such a program will be provided work which serves a useful public purpose and which would not otherwise be performed by regular employees.

[(2) Such agreements shall provide—

[(A) for the payment by the Secretary to each employer, with respect to public service employment performed by any individual for such employer, of an amount not exceeding 100 percent of the cost of providing such employment to such individual during the first year of such employment, an amount not exceeding 75 percent of the cost of providing such employment to such individual during the second year of such employment, and an amount not exceeding 50 percent of the cost of providing such employment to such individual during the third year of such employment;

(B) the hourly wage rate and the number of hours per week individuals will be scheduled to work in public service employment for such employer;

[(C) that the Secretary will have such access to the premises of the employer as he finds necessary to determine whether such employer is carrying out his obligations under the agreement and this part; and

[(D) that the Secretary may terminate any agreement under this subsection at any time.

[(3) Repealed.]

[(4) No wage rates provided under any agreement entered into under this subsection shall be lower than the applicable minimum wage for the particular work concerned.

[(f) Before entering into a project under section 432(b)(3), the Secretary shall have reasonable assurances that—

[(1) appropriate standards for the health, safety, and other conditions applicable to the performance of work and training on such project are established and will be maintained,

[(2) such project will not result in the displacement of employed workers,

[(3) with respect to such project the conditions of work training education, and employment are reasonable in the light of such factors as the type of work, geographical region, and proficiency of the participant,

[(4) appropriate workmen's compensation protection is provided to all participants.

[(g) Where an individual, certified to the Secretary pursuant to section 402(a)(19)(G) refuses without good cause to accept employment or participate in a project under a program established by this part, the Secretary shall (after providing opportunity for fair hearing) notify the State agency which certified such individual and submit such other information as he may have with respect to such refusal.

[(h) With respect to individuals who are participants in public service employment under the program established by section 432(b)(3), the Secretary shall periodically (but at least once every six months) review the employment record of each such individual while on such special work project and on the basis of such record and such other information as he may acquire determine whether it would be feasible to place such individual in regular employment

or on any of the projects under the programs established by section 432(b) (1) and (2).

[(i) In planning for activities under this section, the chief executive officer of each State shall make every effort to coordinate such activities with activities provided by the appropriate private industry council and chief elected official or officials under the Job Training Partnership Act.

[INCENTIVE PAYMENT

[SEC. 434. [42 U.S.C. 634] (a) The Secretary is authorized to pay to any participant under a program established by section 432(b)(2) an incentive payment of not more than \$30 per month, payable in such amounts and at such times as the Secretary prescribes.

[(b) The Secretary is also authorized to pay, to any member of a family participating in manpower training under this part, allowances for transportation and other costs incurred by such member, to the extent such costs are necessary to and directly related to the participation by such member in such training.

[FEDERAL ASSISTANCE

[SEC. 435. [42 U.S.C. 635] (a) Federal assistance under this part shall not exceed 90 per centum of the costs of carrying out this part. Non-Federal contributions may be cash or in kind, fairly evaluated, including but not limited to plant, equipment, and services.

[(b) Costs of carrying out this part include costs of training, supervision, materials, administration, incentive payments, transportation, and other items as are authorized by the Secretary, but may not include any reimbursement for time spent by participants in work, training, or other participation in the program.

[PERIOD OF ENROLLMENT

[SEC. 436. [42 U.S.C. 636] (a) The program established by section 432(b)(2) shall be designed by the Secretary so that the average period of enrollment under all projects under such program throughout any area of the United States will not exceed one year.

[(b) Services provided under this part may continue to be provided to an individual for such period as the Secretary determines (in accordance with regulations prescribed jointly by him and the Secretary of Health and Human Services) is necessary to qualify him fully for employment even though his earnings disqualify him from aid under a State plan approved under section 402.

[RELOCATION OF PARTICIPANTS

[SEC. 437. [42 U.S.C. 637] The Secretary may assist participants to relocate their place of residence when he determines such relocation is necessary in order to enable them to become permanently employable and self-supporting. Such assistance shall be given only to participants who concur in their relocation and who will be employed at their place of relocation at wage rates which will meet at least their full need as determined by the State to which they will be relocated. Assistance under this section shall not exceed the reasonable costs of transportation for participants,

their dependents, and their household belongings plus such relocation allowance as the Secretary determines to be reasonable.

[PARTICIPANTS NOT FEDERAL EMPLOYEES]

[SEC. 438. [42 U.S.C. 638]] Participants in programs established by this part shall be deemed not to be Federal employees and shall not be subject to the provisions of laws relating to Federal employment, including those relating to hours of work, rates of compensation, leave, unemployment compensation, and Federal employee benefits.

[RULES AND REGULATIONS]

[SEC. 439. [42 U.S.C. 639]] The Secretary and the Secretary of Health and Human Services shall, not later than July 1, 1972, issue regulations to carry out the purposes of this part. Such regulations shall provide for the establishment, jointly by the Secretary and the Secretary of Health and Human Services, of (1) a national coordination committee the duty of which shall be to establish uniform reporting and similar requirements for the administration of this part, and (2) a regional coordination committee for each region which shall be responsible for review and approval of statewide operational plans developed pursuant to section 433(b).

[ANNUAL REPORT]

[SEC. 440. [42 U.S.C. 640]] The Secretary shall annually report to the Congress (with the first such report being made on or before July 1, 1970) on the work incentive programs established by this part.

[EVALUATION AND RESEARCH]

[SEC. 441. [42 U.S.C. 640]] The Secretary shall (jointly with the Secretary of Health and Human Services) provide for the continuing evaluation of the work incentive programs established by this part, including their effectiveness in achieving stated goals and their impact on other related programs. He also may conduct research regarding ways to increase the effectiveness of such programs. He may, for this purpose, contract for independent evaluations of and research regarding such programs or individual projects under such programs. For purposes of sections 435 and 443, the costs of carrying out this section shall not be regarded as costs of carrying out work incentive programs established by this part. Nothing in this section shall be construed as authorizing the Secretary to enter into any contract with any organization after June 1, 1970, for the dissemination by such organization of information about programs authorized to be carried on under this part.

[TECHNICAL ASSISTANCE FOR PROVIDERS OF EMPLOYMENT OR TRAINING]

[SEC. 442. [42 U.S.C. 642]] The Secretary is authorized to provide technical assistance to providers of employment or training to enable them to participate in the establishment and operation of programs authorized to be established by section 432(b).

【COLLECTION OF STATE SHARE

【SEC. 443. 【42 U.S.C. 643】 If a non-Federal contribution of 10 per centum of the costs of the work incentive programs established by this part is not made in any State (as specified in section 402(a)), the Secretary of Health and Human Services may withhold any action under section 404 because of the State's failure to comply substantially with a provision required by section 402. If the Secretary of Health and Human Services does withhold such action, he shall, after reasonable notice and opportunity for hearing to the appropriate State agency or agencies, withhold any payments to be made to the State under sections 3(a), 403(a), 1003(a), 1403(a), 1603(a), and 1903(a) until the amount so withheld (including any amounts contributed by the State pursuant to the requirement in section 402(a)(19)(C)) equals 10 per centum of the costs of such work incentive programs. Such withholding shall remain in effect until such time as the Secretary has assurances from the State that such 10 per centum will be contributed as required by section 402. Amounts so withheld shall be deemed to have been paid to the State under such sections and shall be paid by the Secretary of Health and Human Services to the Secretary. Such payment shall be considered a non-Federal contribution for purposes of section 435.

【AGREEMENTS WITH OTHER AGENCIES PROVIDING ASSISTANCE TO FAMILIES OF UNEMPLOYED PARENTS

【SEC. 444. 【42 U.S.C. 644】 (a) The Secretary is authorized to enter into an agreement (in accordance with the succeeding provisions of this section) with any qualified State agency (as described in subsection (b)) under which the program established by the preceding sections of this part C will (except as otherwise provided in this section) be applicable to individuals certified by such State agency in the same manner, to the same extent, and under the same conditions as such program is applicable with respect to individuals certified to the Secretary by a State agency administering or supervising the administration of a State plan approved by the Secretary of Health and Human Services under part A of this title.

【(b) A qualified State agency referred to in subsection (a) is a State agency which is charged with the administration of a program—

【(1) the purpose of which is to provide aid or assistance to the families of unemployed parents,

【(2) which is not established pursuant to part A of title IV of the Social Security Act,

【(3) which is financed entirely from funds appropriated by the Congress, and

【(4) none of the financing of which is made available under any program established pursuant to title V of the Economic Opportunity Act.

【(c)(1) Any agreement under this section with a qualified State agency shall provide that such agency will, with respect to all individuals receiving aid or assistance under the program of aid or assistance to families of unemployed parents administered by such agency, comply with the requirements imposed by section 402(a)(19)

in the same manner and to the same extent as if (A) such qualified agency were the agency in such State administering or supervising the administration of a State plan approved under part A of this title, and (B) individuals receiving aid or assistance under the program administered by such qualified agency were recipients of aid under a State plan which is so approved.

[(2) Any agreement entered into under this section shall remain in effect for such period as may be specified in the agreement by the Secretary and the qualified State agency, except that, whenever the Secretary determines, after reasonable notice and opportunity for hearing to the qualified State agency, that such agency has failed substantially to comply with its obligations under such agreement, the Secretary may suspend operation of the agreement until such time as he is satisfied that the State agency will no longer fail substantially to comply with its obligations under such agreement.

[(3) Any such agreement shall further provide that the agreement will be inoperative for any calendar quarter if, for the preceding calendar quarter, the maximum amount of benefits payable under the program of aid or assistance to families of unemployed parents administered by the qualified State agency which is a party to such agreement is lower than the maximum amount of benefits payable under such program for the quarter which ended September 30, 1967.

[(d) The Secretary shall, at the request of any qualified State agency referred to in subsection (a) of this section and upon receipt from it of a list of the names of individuals referred to the Secretary, furnish to such agency the names of each individual on such list participating in public service employment under section 433(a)(3) whom the Secretary determines should continue to participate in such employment. The Secretary shall not comply with any such request with respect to an individual on such list unless such individual has been certified to the Secretary by such agency under section 402(a)(19)(G) for a period of at least six months.

[WORK INCENTIVE DEMONSTRATION PROGRAM]

[SEC. 445. [42 U.S.C. 645] (a) Notwithstanding any other provision of this part and part A of this title, any State may elect as an alternative to the work incentive program otherwise provided in this part, and subject to the provisions of this section, to operate a work incentive demonstration program for the purpose of demonstrating single agency administration of the work-related objectives of this Act, and to receive payments under the provisions of this section.

[(b)(1) Not later than [June 30, 1987] *December 31, 1989*, the Governor of a State which desires to operate a work incentive demonstration program under this section shall submit to the Secretary of Health and Human Services a letter of application stating such intent. Accompanying the letter of application shall be a State program plan which must—

[(A) provide that the agency conducting the demonstration program within the State shall be the single State agency

which administers or supervises the administration of the State plan under part A of this title;

[(B) provide that all persons eligible for or receiving assistance under the aid to families with dependent children program shall be eligible to participate in, and shall be required to participate in, the work incentive demonstration program, subject to the same criteria for participation in such demonstration program as are in effect under this part and part A during the month before the month in which the demonstration program commences, but subject to waiver of such criteria as provided under section 1115;

[(C) provide that the criteria for participation in the work incentive demonstration program shall be uniform throughout the State;

[(D) provide a statement of the objectives which the State expects to meet through operation of a work incentive demonstration program, with emphasis on how the State expects to maximize client placement in nonsubsidized private sector employment;

[(E) describe the techniques to be used to achieve the objectives of the work incentive demonstration program, which may include but shall not be limited to: maximum periods of participation, job training, job find clubs, grant diversion to either public or private sector employers, services contracts with State employment services, service delivery areas under the Job Training Partnership Act, or private placement agencies, targeted jobs tax credit outreach campaigns, and performance-based placement incentives; and

[(F) set forth the format and frequency of reporting of information regarding operation of the work incentive demonstration program.

[(2) A State's application to participate in the work incentive demonstration program shall be deemed approved unless the Secretary of Health and Human Services notifies the State in writing of disapproval within forty-five days of the date of application. The Secretary of Health and Human Services shall set forth the reasons for disapproval and provide an opportunity for resubmission of the plan within forty-five days of the receipt of the notice of disapproval. An application shall not be finally disapproved unless the Secretary of Health and Human Services determines that the State's program plan would be less effective than the requirements set forth in this title, other than this section.

[(3) The Secretary of Health and Human Services shall furnish copies of approved plans, statistical reports, and evaluation reports to the Secretary of Labor.

[(c) Subject to the statement of objectives and description of techniques to be used in implementing its work incentive demonstration program, as set forth in its program plan, a State shall be free to design a program which best addresses its individual needs, makes best use of its available resources, and recognizes its labor market conditions. Other than criteria for participation in the State's work incentive demonstration project, which shall be uniform throughout the State, the components of the program may vary by geographic area or by political subdivision.

[(d) A State's work incentive demonstration program, if initially approved, shall be in force for a three-year period, except that in the case of a State which has submitted a letter of application on or before [June 30, 1987] *December 31, 1989*, such program may continue in force until [June 30, 1988] *September 30, 1990*. During this period, the State may elect to use up to six months for planning purposes. During such planning period, all requirements of part A and this part C shall remain in full force and effect.

[(e) The Secretary of Health and Human Services shall conduct two evaluations of a State's work incentive demonstration program. The first evaluation shall be conducted at the conclusion of the first twelve months of operation of the demonstration program. The second evaluation shall be conducted three years from the date of the Secretary's approval of the demonstration program. Both evaluations shall compare placement rates during the demonstration program with placement rates achieved during a number of previous years, to be determined by the Secretary of Health and Human Services.

[(f)(1) For each year of its demonstration program, a State which is operating such program shall be funded in an amount equal to its initial annual 1981 allocation under the work incentive program set forth in this part, plus any other Federal funds which the State may properly receive under any statute for establishing work programs for recipients of aid to families with dependent children.

[(2) Such funds shall only be used by the State for administering and operating its work incentive demonstration program. These funds shall not be used for direct grants of assistance under the aid to families with dependent children program.

[(3) The Secretary of Health and Human Services shall conduct, in consultation with the States, a thorough study of the allocation formula described in paragraph (1) of this subsection and report to Congress no later than April 1, 1985, on the findings of this study with recommendations, if appropriate, for modifying the allocation formula to take into account State performance and to provide for the equitable distribution of funds.

[(g) Earnings derived from participation in a State's work incentive demonstration program shall not result in a determination of financial ineligibility for assistance under the aid to families with dependent children program.]

* * * * *

DUTIES OF THE SECRETARY

SEC. 452. [42 U.S.C. 652] (a) The Secretary shall establish, within the Department of Health and Human Services a separate organizational unit, under the direction of a designee of the Secretary, who shall report directly to the Secretary and who shall—

* * * * *

(10) not later than three months after the end of each fiscal year, beginning with the year 1977, submit to the Congress a full and complete report on all activities undertaken pursuant to the provisions of this part, which report shall include, but not be limited to, the following:

(A) * * *

* * * * *

(C) the following data, with the data required under each clause being separately stated for cases where the child is receiving [aid to families with dependent children] *aid in the form of child support supplements* (or foster care maintenance payments under part E), cases where the child was formerly receiving such aid or payments and the State is continuing to collect support assigned to it under section 402(a)(26) or 471(a)(17), and all other cases under this part:

* * * * *

(d)(1) [The] *Except as provided in paragraph (3), the Secretary shall not approve the initial and annually updated advance [automatic] automated data processing planning document, referred to in section 454(16), unless he finds that such document, when implemented, will generally carry out the objectives of the management system referred to in such subsection, and such document—*

* * * * *

(2) [(A)] The Secretary shall through the separate organizational unit established pursuant to subsection (a), on a continuing basis, review, assess, and inspect the planning, design, and operation of, management information systems referred to in section 455(a)(1)(B), with a view to determining whether, and to what extent, such systems meet and continue to meet requirements imposed under paragraph (1) and the conditions specified under section 454(16).

[(B) If the Secretary finds with respect to any statewide management information system referred to in section 455(a)(1)(B) that there is a failure substantially to comply with criteria, requirements, and other undertakings, prescribed by the advance automatic data processing planning document theretofore approved by the Secretary with respect to such system, then the Secretary shall suspend his approval of such document until there is no longer any such failure of such system to comply with such criteria, requirements, and other undertakings so prescribed.]

(3) *The Secretary may waive any requirement of paragraph (1) or any condition specified under section 454(16) if a State demonstrates to the satisfaction of the Secretary that the State has an alternative system or systems that enable the State, for purposes of section 403(h), to be in substantial compliance with other requirements of this part.*

* * * * *

(g)(1) *A State's programs under this part shall be found, for purposes of section 403(h), not to have complied substantially with the requirements of this part unless, for any fiscal year beginning on or after October 1, 1991, its paternity establishment percentage for such fiscal year equals or exceeds—*

(A) 50 percent;

(B) *the paternity establishment percentage of the State for fiscal year 1988, increased by the applicable number of percentage points; or*

(C) the paternity establishment percentage determined with respect to all States for such fiscal year.

(2) For purposes of this section—

(A) the term “paternity establishment percentage” means, with respect to a State (or all States, as the case may be) for a fiscal year, the ratio (expressed as a percentage) that the total number of children—

(i) who have been born out of wedlock,

(ii)(I) except as provided in the last sentence of this paragraph, with respect to whom child support supplements are being paid under the State’s plan approved under part A (or under all such plans) for such fiscal year or (II) with respect to whom services are being provided under the State’s plan approved under this part (or under all such plans) for the fiscal year pursuant to an application submitted under section 454(6), and

(iii) the paternity of whom has been established, bears to the total number of children who have been born out of wedlock and (except as provided in such last sentence) with respect to whom child support supplements are being paid under the State’s plan approved under part A (or under all such plans) for such fiscal year or with respect to whom services are being provided under the State’s plan approved under this part (or under all such plans) for the fiscal year pursuant to an application submitted under section 454(6); and

(B) the applicable number of percentage points means, with respect to a fiscal year (beginning with fiscal year 1991), 3 percentage points multiplied by the number of fiscal years after fiscal year 1989 and before the beginning of such fiscal year.

For purposes of subparagraph (A), the total number of children shall not include any child who is a dependent child by reason of the death of a parent or any child with respect to whom an applicant or recipient is found to have good cause for refusing to cooperate under section 402(a)(26).

(3)(A) The requirements of this subsection are in addition to and shall not supplant any other requirement (that is not inconsistent with such requirements) established in regulations by the Secretary for the purpose of determining (for purposes of section 403(h)) whether the program of a State operated under this part shall be treated as complying substantially with the requirements of this part.

(B) The Secretary may modify the requirements of this subsection to take into account such additional variables as the Secretary identifies (including the percentage of children born out-of-wedlock in a State) that affect the ability of a State to meet the requirements of this subsection.

(C) The Secretary shall submit an annual report to the Congress that sets forth the data upon which the paternity establishment percentages for States for a fiscal year are based, lists any additional variables the Secretary has identified under subparagraph (A), and describes State performance in establishing paternity.

(h) The standards required by subsection (a)(1) shall include standards establishing time limits governing the period or periods within which a State must accept and respond to requests (from States, jurisdictions thereof, or individuals who apply for services

furnished by the State agency under this part or with respect to whom assignment under section 402(a)(26) is in effect) for assistance in establishing and enforcing support orders, including requests to locate absent parents, establish paternity, and initiate proceedings to establish and collect child support awards.

PARENT LOCATOR SERVICE

SEC. 453. [42 U.S.C. 653] (a) The Secretary shall establish and conduct a Parent Locator Service, under the direction of the designee of the Secretary referred to in section 452(a), which shall be used to obtain and transmit to any authorized person (as defined in subsection (c)) information as to the whereabouts of any absent parent when such information is to be used to locate such parent for the purpose of enforcing support obligations against such parent.

* * * * *

(e)(1) Whenever the Secretary receives a request submitted under subsection (b) which he is reasonably satisfied meets the criteria established by subsections (a), (b), and (c), he shall promptly undertake to provide the information requested from the files and records maintained by any of the departments, agencies, or instrumentalities of the United States or of any State.

(2) Notwithstanding any other provision of law, whenever the individual who is the head of any department, agency, or instrumentality of the United States receives a request from the Secretary for information authorized to be provided by the Secretary under this section, such individual shall promptly cause a search to be made of the files and records maintained by such department, agency, or instrumentality with a view to determining whether the information requested is contained in any such files or records. If such search discloses the information requested, such individual shall immediately transmit such information to the Secretary, except that if any information is obtained the disclosure of which would contravene national policy or security interests of the United States or the confidentiality of census data, such information shall not be transmitted and such individual shall immediately notify the Secretary. If such search fails to disclose the information requested, such individual shall immediately so notify the Secretary. The costs incurred by any such department, agency, or instrumentality of the United States or of any State in providing such information to the Secretary shall be reimbursed by him. Whenever such services are furnished to an individual specified in subsection (c)(3), a fee shall be charged such individual. The fee so charged shall be used to reimburse the Secretary or his delegate for the expense of providing such services.

(3) *The Secretary of Labor shall enter into an agreement with the Secretary to provide prompt access for the Secretary (in accordance with this subsection) to the wage and unemployment compensation claims information and data maintained by or for the Department of Labor or State employment security agencies.*

* * * * *

STATE PLAN FOR CHILD AND SPOUSAL SUPPORT

SEC. 454. [42 U.S.C. 654] A State plan for child and spousal support must—

* * * * *

(4) provide that such State will undertake—

(A) * * *

* * * * *

(B) in the case of any child with respect to whom such assignment is effective, including an assignment with respect to a child on whose behalf a State agency is making foster care maintenance payments under part E, to secure support for such child from his parent (or from any other person legally liable for such support), and from such parent for his spouse (or former spouse) receiving [aid to families with dependent children] *aid in the form of child support supplements* (but only if a support obligation has been established with respect to such spouse, and only if the support obligation established with respect to the child is being enforced under the plan), utilizing any reciprocal arrangements adopted with other States (unless the agency administering the plan of the State under part A or E of this title determines in accordance with the standards prescribed by the Secretary pursuant to section 402(a)(26)(B) that it is against the best interests of the child to do so), except that when such arrangements and other means have proven ineffective, the State may utilize the Federal courts to obtain or enforce court orders for support;

(5) provide that, in any case in which support payments are collected for an individual with respect to whom an assignment under section 402(a)(26) is effective, such payments shall be made to the State for distribution pursuant to section 457 and shall not be paid directly to the family, and the individual will be notified [at least annually] *on a monthly basis (or on a quarterly basis for so long as the Secretary determines with respect to a State that requiring such notice on a monthly basis would impose an unreasonable administrative burden)* of the amount of the support payments collected; except that this paragraph shall not apply to such payments (except as provided in section 457(c)) for any month following the first month in which the amount collected is sufficient to make such family ineligible for assistance under the State plan approved under part A;

* * * * *

(16) provide[, at the option of the State,] *(subject to the last sentence of this section)* for the establishment, in accordance with an (initial and annually updated) advance [automatic] *automated* data processing planning document approved under section 452(d), of [an automatic] *a statewide automated* data processing and information retrieval system designed effectively and efficiently to assist management in the administration

of the State plan, in the State and localities thereof, so as (A) to control, account for, and monitor (i) all the factors in the support enforcement collection and paternity determination process under such plan (including, but not limited to, (I) identifiable correlation factors (such as social security numbers, names, dates of births, home addresses and mailing addresses (including postal ZIP codes) of any individual with respect to whom support obligations are sought to be established or enforced and with respect to any person to whom such support obligations are owing) to assure sufficient compatibility among the systems of different jurisdictions to permit periodic screening to determine whether such individual is paying or is obligated to pay support in more than one jurisdiction, (II) checking of records of such individuals on a periodic basis with Federal, intra- and inter-State, and local agencies, (III) maintaining the data necessary to meet the Federal reporting requirements on a timely basis, and (IV) delinquency and enforcement activities), (ii) the collection and distribution of support payments (both intra- and inter-State), the determination, collection, and distribution of incentive payments both inter- and intra-State, and the maintenance of accounts receivable on all amounts owed, collected and distributed, and (iii) the costs of all services rendered, either directly or by interfacing with State financial management and expenditure information, (B) to provide interface with records of the State's [aid to families with dependent children] *child support supplement program* in order to determine if a collection of a support payment causes a change affecting eligibility for or the amount of aid under such program, (C) to provide for security against unauthorized access to, or use of, the data in such system, (D) to facilitate the development and improvement of the income withholding and other procedures required under section 466(a) through the monitoring of support payments, the maintenance of accurate records regarding the payment of support, and the prompt provision of notice to appropriate officials with respect to any arrearages in support payments which may occur, and (E) to provide management information on all cases under the State plan from initial referral or application through collection and enforcement;

The State may allow the jurisdiction which makes the collection involved to retain any application fee under paragraph (6)(B) or any late payment fee under paragraph (21). *A State shall be required to provide the automated data processing and information retrieval system required under paragraph (16) not later than a date specified in the initial advance automated data processing planning document submitted under such paragraph (but in no event later than 10 years after the date such document is submitted to the Secretary).*

* * * * *

PAYMENTS TO STATES

SEC. 455. [42 U.S.C. 655] (a)(1) From the sums appropriated therefor, the Secretary shall pay to each State for each quarter an amount—

(A) equal to the percent specified in paragraph (2) of the total amounts expended by such State during such quarter for the operation of the plan approved under section 454, [and]

[(B) equal to 90 percent (rather than the percent specified in subparagraph (A)) of so much of the sums expended during such quarter as are attributable to the planning, design, development, installation or enhancement of an automatic data processing and information retrieval system (including in such sums the full cost of the hardware components of such system) which the Secretary finds meets the requirements specified in section 454(16), or meets such requirements without regard to clause (D) thereof;]

(B) in the case of a State that submits the initial advance automated data processing planning document required under section 454(16) not later than October 1, 1990, equal to 90 percent (rather than the percent specified in subparagraph (A)) of so much of the sums expended during any quarter beginning after the date on which such document is submitted and before the date on which the State is required (in accordance with the last sentence of section 454) to provide the automated data processing and information retrieval system as are attributable to the planning, design, development, or enhancement of such system (including in such sums the full cost of the hardware components of such system) if the Secretary finds that the system meets the requirements specified in section 454(16), and

(C) equal to 90 percent (rather than the percent specified in subparagraph (A)) of so much of the sums expended during such quarter as are attributable to laboratory costs incurred in determining paternity;

* * * * *

DISTRIBUTION OF PROCEEDS

SEC. 457. [42 U.S.C. 657] (a) The amounts collected as child support by a State pursuant to a plan approved under this part during the 15 months beginning July 1, 1975, shall be distributed as follows:

* * * * *

(b) The amounts collected as support by a State pursuant to a plan approved under this part during any fiscal year beginning after September 30, 1976, shall (subject to subsection (d)) be distributed as follows:

(1) [the first \$50 of such amounts as are collected periodically which represent monthly support payments] of such amounts as are collected periodically which represent monthly support payments, the first \$50 of any payments for a month received in such month, and the first \$50 of payments for each prior month received in that month which were made by the absent parent in the month when due shall be paid to the family without affecting its eligibility for assistance or decreasing any amount otherwise payable as assistance to such family during such month;

* * * * *

(d) Notwithstanding the preceding provisions of this section, amounts collected by a State as child support for months in any period on behalf of a child for whom a public agency is making foster care maintenance payments under part E—

(1) * * *

* * * * *

(3) shall be retained by the State, if any portion of the amounts collected remains after making the payments required under paragraphs (1) and (2), to the extent that such portion is necessary to reimburse the State (with appropriate reimbursement to the Federal Government to the extent of its participation in the financing) for any past foster care maintenance payments (or payments of [aid to families with dependent children] *aid in the form of child support supplements*) which were made with respect to the child (and with respect to which past collections have not previously been retained);

INCENTIVE PAYMENTS TO STATES

SEC. 458. [42 U.S.C. 658] (a) * * *

* * * * *

(b)(1) Except as provided in paragraphs (2), (3), and (4), the incentive payment shall be equal to—

(A) 6 percent of the total amount of support collected under the plan during the fiscal year in cases in which the support obligation involved is assigned to the State pursuant to section 402(a)(26) or section 471(a)(17) (with such total amount for any fiscal year being hereafter referred to in this section as the State's "[AFDC] CSS collections" for that year), plus

(B) 6 percent of the total amount of support collected during the fiscal year in all other cases under this part (with such total amount for any fiscal year being hereafter referred to in this section as the State's "[non-AFDC] non-CSS collections" for that year).

(2) If subsection (c) applies with respect to a State's [AFDC] CSS collections or [non-AFDC] non-CSS collections for any fiscal year, the percent specified in paragraph (1)(A) or (B) (with respect to such collections) shall be increased to the higher percent determined under such subsection (with respect to such collections) in determining the State's incentive payment under this subsection for that year.

(3) The dollar amount of the portion of the State's incentive payment for any fiscal year which is determined on the basis of its [non-AFDC] non-CSS collections under paragraph (1)(B) (after adjustment under subsection (c) if applicable) shall in no case exceed—

(A) the dollar amount of the portion of such payment which is determined on the basis of its [AFDC] CSS collections under paragraph (1)(A) (after adjustment under subsection (c) if applicable) in the case of fiscal year 1986 or 1987;

(B) 105 percent of such dollar amount in the case of fiscal year 1988;

(C) 110 percent of such dollar amount in the case of fiscal year 1989; or

(D) 115 percent of such dollar amount in the case of fiscal year 1990 or any fiscal year thereafter.

(4) The Secretary shall make such additional payments to the State under this part, for fiscal year 1986 or 1987, as may be necessary to assure that the total amount of payments under this section and section 455(a)(1)(A) for such fiscal year is no less than 80 percent of the amount that would have been payable to that State and its political subdivisions for such fiscal year under this section and section 455(a)(1)(A) if those sections (including the amendment made by section 5(c)(2)(A) of the Child Support Enforcement Amendments of 1984) had remained in effect as they were in effect for fiscal year 1985.

(c) If the total amount of a State's **[AFDC] CSS** collections or **[non-AFDC] non-CSS** collections for any fiscal year bears a ratio to the total amount expended by the State in that year for the operation of its plan approved under section 454 for which payment may be made under section 455 (with the total amount so expended in any fiscal year being hereafter referred to in this section as the State's "combined **[AFDC] CSS/ [non-AFDC] non-CSS** administrative costs" for that year) which is equal to or greater than 1.4, the relevant percent specified in subparagraph (A) or (B) of subsection (b)(1) (with respect to such collections) shall be increased to—

(1) 6.5 percent, plus

(2) one-half of 1 percent for each full two-tenths by which such ratio exceeds 1.4;

except that the percent so specified shall in no event be increased (for either **[AFDC] CSS** collections or **[non-AFDC] non-CSS** collections) to more than 10 percent. For purposes of the preceding sentence, laboratory costs incurred in determining paternity in any fiscal year may at the option of the State be excluded from the State's combined **[AFDC] CSS/ [non-AFDC] non-CSS** administrative costs for that year.

* * * * *

REQUIREMENT OF STATUTORILY PRESCRIBED PROCEDURES TO IMPROVE EFFECTIVENESS OF CHILD SUPPORT ENFORCEMENT

SEC. 466. **[42 U.S.C. 666]** (a) In order to satisfy section 454(20)(A), each State must have in effect laws requiring the use of the following procedures, consistent with this section and with regulations of the Secretary, to increase the effectiveness of the program which the State administers under this part:

* * * * *

(10)(A) Procedures to ensure review, and adjustment as appropriate in accordance with the guidelines established pursuant to section 467(a), of child support orders in effect in the State—

(i) beginning five years after the date of enactment of the Family Security Act of 1988 or such earlier date as the State may select, not later than 24 months after the establishment of the order or the most recent review—

(I) in the case of an order with respect to an individual with respect to whom an assignment under section 402(a)(26) is in effect, unless the State has determined, in accordance with regulations of the Secretary, that such a review would not be in the best interests of the child and neither parent has requested review, or

(II) in the case of any other order being enforced under this part, upon the request of either parent; and
(ii) during the period (if any) before clause (i) applies—

(I) in the case of an order with respect to an individual with respect to whom an assignment under section 402(a)(26) is in effect, pursuant to a plan of the State (to be submitted to the Secretary not later than one year after the date of enactment of the Family Security Act of 1988) indicating how and when a periodic review adjustment of such cases will be performed, or

(II) in the case of any other order being enforced under this part, not later than 24 months after the establishment of the order or the most recent review where either parent has requested such review and the State has determined (under such criteria as it may establish) that such review and adjustment would be appropriate.

(B) Procedures to ensure that, with respect to the review and adjustment under subparagraph (A)—

(i) each parent is notified at least 30 days prior to the commencement of a review under subparagraph (A);

(ii) each parent to whom clause (i)(II) of such subparagraph applies is notified of his or her right to request a review; and

(iii) each parent is notified of a proposed adjustment (or determination that there should be no change) in the child support award amount, and is afforded not less than 30 days after such notification to initiate proceedings to challenge such adjustment (or determination).

(b) The procedures referred to in subsection (a)(1) (relating to the withholding from income of amounts payable as support) must provide for the following:

(1) * * *

* * * * *

[(3) An absent parent shall become subject to such withholding, and the advance notice required under paragraph (4) shall be given, on the earliest of—

[(A) the date on which the payments which the absent parent has failed to make under such order are at least equal to the support payable for one month,

[(B) the date as of which the absent parent requests that such withholding begin, or

[(C) such earlier date as the State may select.]

(3)(A) The wages of an absent parent shall be subject to such withholding, regardless of whether support payments by such parent are in arrears, in the case of a support order issued or modified on or after the first day of the twenty-fifth month be-

ginning after the date of enactment of the Family Security Act of 1988, on the effective date of the order; except that such wages shall not be subject to such withholding under this subparagraph if the State finds good cause not to require such withholding, or (in the case of an order that is not an order with respect to an individual with respect to whom an assignment under section 402(a)(26) is in effect) both parents have agreed to an alternative arrangement.

(B) The wages of an absent parent shall become subject to such withholding, in the case of wages not subject to withholding under subparagraph (A), on the date on which the payments which the absent parent has failed to make under a support order are at least equal to the support payable for one month or, if earlier, and without regard to whether there is an arrearage, the earliest of—

(i) the date as of which the absent parent requests that such withholding begin,

(ii) the date as of which the custodial parent requests that such withholding begin, if the State determines, in accordance with such procedures and standards as it may establish, that the request should be approved, or

(iii) such earlier date as the State may select.

* * * * *

STATE GUIDELINES FOR CHILD SUPPORT AWARDS

SEC. 467. [42 U.S.C. 667] (a) Each State, as a condition for having its State plan approved under this part, must establish guidelines for child support award amounts within the State. The guidelines may be established by law or by judicial or administrative action, and shall be reviewed at least once every five years to ensure that their application results in the determination of appropriate child support award amounts.

(b) The guidelines established pursuant to subsection (a) shall be made available to all judges and other officials who have the power to determine child support awards within such State [, but need not be binding upon such judges or other officials] and shall be applied by such judges and other officials in determining the amount of any such award unless the judge or official, pursuant to criteria established by the State, makes a finding that there is good cause for not applying the guidelines.

* * * * *

PART E—FEDERAL PAYMENTS FOR FOSTER CARE AND ADOPTION ASSISTANCE

* * * * *

STATE PLAN FOR FOSTER CARE AND ADOPTION ASSISTANCE

SEC. 471. [42 U.S.C. 671] (a) In order for a State to be eligible for payments under this part, it shall have a plan approved by the Secretary which—

* * * * *

(8) provides safeguards which restrict the use of or disclosure of information concerning individuals assisted under the State plan to purposes directly connected with (A) the administration of the plan of the State approved under this part, the plan or program of the State under part [A, B, C, or D] *A, B, or D* of this title or under title I, V, X, XIV, XVI (as in effect in Puerto Rico, Guam, and the Virgin Islands), XIX, or XX, or the supplemental security income program established by title XVI,

* * * * *

FOSTER CARE MAINTENANCE PAYMENTS PROGRAM

SEC. 472. [42 U.S.C. 672] (a) Each State with a plan approved under this part shall make foster care maintenance payments (as defined in section 475(4)) under this part with respect to a child who would meet the requirements of section 406(a) or section 407 but for his removal from the home of a relative (specified in section 406(a)), if—

* * * * *

(h) For purposes of titles XIX and XX, any child with respect to whom foster care maintenance payments are made under this section shall be deemed to be a dependent child as defined in section 406 and shall be deemed to be a recipient of [aid to families with dependent children] *aid in the form of child support supplements* under part A of this title.

* * * * *

ADOPTION ASSISTANCE PROGRAM

SEC. 473. [42 U.S.C. 673] (a)(1)(A) Each State having a plan approved under this part shall enter into adoption assistance agreements (as defined in section 475(3)) with the adoptive parents of children with special needs.

* * * * *

(b) For purposes of titles XIX and XX, any child—

* * * * *

(2) with respect to whom foster care maintenance payments are being made under section 472, shall be deemed to be a dependent child as defined in section 406 and shall be deemed to be a recipient of [aid to families with dependent children] *aid in the form of child support supplements* under part A of this title in the State where such child resides.

* * * * *

PART F—WAIVER AUTHORITY

PURPOSE

SEC. 491. *The purpose of this part is—*

(1) *to find and test new ways to use Federal and State funds to assist families and individuals in achieving financial independence through education, training, and work experience; and*

(2) to allow States maximum flexibility in using funds that now support low-income families and individuals in order to relieve poverty and its effects.

AUTHORIZATION OF APPROPRIATIONS

SEC. 492. There are authorized to be appropriated for fiscal year 1989 and each fiscal year thereafter such sums as may be necessary to carry out the provisions of this part.

SUBMISSION OF APPLICATIONS

SEC. 493. (a) In order to conduct a demonstration in accordance with the provisions of this part, a State shall submit an application for approval, consistent with the requirements of this part, to the Secretary.

(b) The Secretary shall have continuing responsibility for the approval of each application submitted by a State under this part and for conducting evaluations (in accordance with the principles of experimental design) of each demonstration conducted under this part. In exercising his responsibility to approve applications under this part, the Secretary shall assure that not more than 50 demonstrations are conducted under this part at any time.

(c)(1) The Secretary, in exercising his responsibility with respect to the approval of each application submitted by a State under this part, shall consider the following general policy goals:

(A) To insure that public assistance is an adequate supplement for other resources in meeting essential needs.

(B) To focus public assistance resources on efforts to reduce future dependency on public assistance.

(C) To insure that adequate support is provided for children.

(D) To make work more rewarding than welfare.

(E) To place greater emphasis on education, training, and work-related activities as an integral part of public assistance programs.

(F) To encourage the formation and maintenance of economically self-reliant families.

(G) To encourage public assistance recipients to assume greater responsibility for managing their resources.

(H) To create opportunities for self-reliance through education and enterprise.

(I) To promote the most efficient and effective operation of public assistance programs.

(2) Demonstrations conducted under this part may address any of the general policy goals specified in paragraph (1), but the Secretary shall give special consideration to demonstrations designed—

(A) to provide effective means for assisting the Nation's citizens to avoid poverty;

(B) to improve methods of helping public assistance recipients achieve economic independence;

(C) to improve methods of providing more adequate support for low-income children;

(D) to provide coordination of employment and training programs currently supported by Federal or State funds, including programs under the Job Training Partnership Act, United

States Employment Service programs, adult education programs, vocational education programs, and the various employment, training, and work programs established under title IV;

(E) to provide transitional assistance (including health-care coverage and child care) to individuals who become ineligible for child support supplements under part A of title IV as a result (wholly or partly) of the collection or increased collection of child or spousal support under part D of such title, or, as a result of increased hours of, or increased income from, employment;

(F) to increase the number of determinations of paternity and improve the collection of child support awards for individuals with respect to whom child support supplements are paid under the State's plan approved under part A of title IV;

(G) to provide child care to the children of participants in work, training, or education programs;

(H) to increase efforts by nongovernmental organizations to help public assistance recipients achieve economic independence; and

(I) to address and promote the needs of rural areas.

(d)(1) An application to conduct a demonstration under this part may include (as a program to be included in the demonstration)—

(A) the child support supplement program under part A of title IV;

(B) the job opportunities and basic skills training program under part A of title IV;

(C) the child support enforcement program under part D of title IV;

(D) emergency assistance to needy families under part A of title IV;

(E) social services block grant under title XX; and

(F) any non-Federal public program operated within the State which is designed to alleviate poverty.

(2) An application under this part shall be submitted by the Governor or his designee to the Secretary and shall describe in detail the demonstration to be conducted with particular reference to—

(A) the program or programs to be included in the demonstration;

(B) the classes of individuals and families who will be eligible to participate;

(C)(i) the principles for determining eligibility for and maximum total benefits under the programs included in the demonstration, including income and asset limits to be applied, the form or forms in which benefits are to be provided (such as cash, in kind, vouchers, insurance, or services), and the dollar value to be assigned to benefits to be provided in a form other than cash, and

(ii) information sufficient to demonstrate that (I) except in accordance with paragraph (4)(C), benefit levels (including the value of in-kind benefits) with respect to any individual and family are not reduced as a result of participation in the demonstration below the level at which such benefits would be in the absence of such demonstration, or (II) if such benefits are

reduced, the State makes payments to the individual or family in an amount sufficient to maintain benefits at such level; and

(D) the way in which the demonstration is expected to improve (i) the opportunities and abilities of low-income individuals and families to achieve economic independence through employment, (ii) the functioning of low-income communities in support of the efforts of such individuals and families to attain independence, and (iii) the efficiency and effectiveness of the programs included in the demonstration.

(3) The application shall specify the employment-related activities, such as job search, education, and work and training activities designed to improve directly employability, that will be required of individuals receiving assistance under the demonstration, and the circumstances in which such individuals will not be required to participate in such activities.

(4) The application shall, with respect to any demonstration that includes a work, education, or training activity—

(A) describe plans for providing child care for individuals required to participate in such activity;

(B) contain assurances that—

(i) no individual shall be required to participate in any such activity if such individual does not have child care,

(ii) work assignments performed for benefits shall be assigned an hourly value of not less than the applicable Federal or State minimum wage,

(iii) participants shall not be required to accept work assignments that pose health or safety hazards, require the participant to travel an unreasonable distance from home, or require the participant to spend the night away from home,

(iv) work assignments shall not be used to displace current employees or result in the impairment of existing contracts for services or collective bargaining agreements,

(v) appropriate workers' compensation shall be provided to all participants on the same basis as such compensation is provided to other individuals in the State in similar employment, and

(vi) participants shall be provided with an opportunity for a fair hearing in the event of a dispute involving an assignment to any such activity;

(C) describe what (if any) sanctions will be employed if a participant fails, without good cause, to cooperate with work-related provisions in the demonstration and what provision shall be made to care for dependent children in the event such sanctions are imposed; and

(D) describe the circumstances under which individuals will not be required to participate in any such activity.

(5) The application also—

(A) specify the geographic area or the political subdivisions within which the demonstration will be conducted and designate the agency responsible for the day-to-day conduct of the demonstration;

(B) describe steps that will be taken to make the information required by paragraphs (2) and (3) readily available to the public in the geographic areas or political subdivisions affected;

(C) specify the time period during which the demonstration will be conducted and the reasons that such period was selected;

(D)(i) specify the laws or parts thereof, and the regulations thereunder or parts thereof, applicable to any Federal or federally assisted program to be included in the demonstration for which waiver is requested, and

(ii) contain assurances that any such waiver granted with respect to a demonstration does not (I) hinder interstate child support collection and paternity establishment efforts, or (II) reduce the level of child support collections;

(E) contain a budget setting forth the amounts and sources of funding for the demonstration (derived in accordance with section 494(a));

(F) provide for the conduct of audits in accordance with the provisions of chapter 75 of title 31, United States Code; and

(G) contain an agreement to submit an annual report and such interim data and reports as are considered necessary by the Secretary.

The agency designated in subparagraph (A) may conduct the demonstration directly, or may do so, in whole or in part, through grants to or contracts with public or private agencies, or individuals, but the Governor must in any case retain final responsibilities for compliance with all requirements imposed by or pursuant to this title, and with actions agreed to by the State in its approved application.

(6)(A) The application shall describe the procedures for determining the initial and continuing eligibility of, and benefits for, individuals and families, and all administrative and fiscal procedures to be applied in the conduct of the demonstration. Such procedures must insure that all eligibility and benefit amount standards will be accurately applied and that funds under the demonstration will be expended consistent with principles of sound fiscal management. Such procedures shall provide the same safeguards to which individuals and families would be entitled in the absence of the demonstration.

(B)(i) The procedures described under subparagraph (A) must provide that benefits from any cash or in-kind program that are excluded under Federal law from being regarded as income or resources with respect to determining eligibility under any other Federal, State, or local program shall continue to be so excluded under a demonstration conducted under this part.

(ii) For purposes of determining the amount to be excluded under clause (i), subject to subsection (d)(2)(C)(ii), the Secretary may allow States operating demonstrations under this part to specify average amounts (reflecting various categories of households) with respect to the value of any benefits to be paid under such demonstrations. Such amounts shall be readily accessible to any governmental agency that administers programs with respect to which clause (i) applies.

FUNDING AND BUDGET

SEC. 494. (a)(1) Subject to subsection (i), prior to approval by the Secretary of an application under this part, the head of each Federal department or agency with responsibility for a program to be included in the demonstration shall, with respect to each such program (or part of a program), estimate the amount of Federal funds that would, but for the demonstration, be provided to the State, or an entity within the State eligible to receive such funds, to operate such program (or part of a program) during each fiscal year that the demonstration is in effect and the amount of non-Federal funds that would be required in order that the State be eligible for such Federal funds. Each Federal department or agency head shall provide a statement of the principles and assumptions to be employed in making such estimates, including, in the case of any program with respect to which the department or agency head has discretion in the provision of funds, the recent experience of such State (or grantees or contractors within the State) with respect to fund awards under such program. The principles and assumptions shall be consistent with all Federal laws and regulations applicable to the program, and the funding of the program, as in effect at the time the estimates are made.

(2) A State shall provide the Secretary with a statement of the principles and assumptions it employed in developing its funding levels and budget (as set forth in its application pursuant to section 493(d)(5)(e)).

(b) The Secretary shall determine whether the funding determined by the Federal agency heads referred to in subsection (a)(1), and the budget and underlying principles and assumptions described in subsection (a)(2) as submitted by the State, are consistent and are adequate to carry out the demonstration.

(c) If, during any fiscal year that the demonstration is in operation, the Federal laws or regulations under which such funding is authorized or provided are amended, or new Federal law applicable to any such program is enacted (or new regulations adopted), the Secretary shall adjust the amounts reflected in the budget set forth in the application under this part in accordance with applicable Federal law and regulations and the principles and assumptions referred to in subsection (a). In any event such budget shall be reviewed and revised, in accordance with such principles and assumptions and all currently applicable Federal law and regulations, not less frequently than annually.

(d) The amount determined pursuant to subsection (b), or the adjusted amount adopted pursuant to subsection (c), shall be the amount of Federal funds available for carrying out the demonstration in any fiscal year.

(e) The Secretary shall establish a schedule pursuant to which payments will be made by each agency responsible for the administration of a program included in the demonstration from the funds appropriated to carry out such program.

(f) Notwithstanding the preceding provisions of this section, if it is determined at any time that the State received, prior to the commencement of the demonstration, an amount of Federal funds under any program included in the demonstration in excess of the amount

of which it was entitled, or which it should have received, by reason of the application of any provision regarding erroneous expenditures under the program or because of overpayment by the Federal government to the State for any other reason, the amount which the State would otherwise receive to carry out the demonstration shall be reduced (subject to any moratorium in effect with respect to adjustments for such expenditures or overpayment) to the same extent and in accordance with the same procedures (including any administrative or judicial appeals) as would have been applied had the State continued to operate, apart from the demonstration, the program in which the overpayment is determined to have been made.

(g)(1) The Secretary shall establish a single non-Federal share requirement for each year. Under such requirement, the percentage of non-Federal funds expended under the demonstration shall be no less than the percentage of non-Federal funds that would have been expended in the absence of the demonstration under the programs (or parts of programs) included in the demonstration.

(2) The Secretary shall establish a single set of technical grant or contract requirements applicable to the conduct of the demonstration.

(h) Notwithstanding any other provision of law, to the extent that the amount of Federal funds necessary to carry out the demonstration, either for assistance to individuals or families or for the costs of administration, is less than the amount contained in the budget set forth in the application under this part by reason of the effectiveness of the demonstration in achieving the objectives of this title, no adjustment shall be made in amounts payable to the State for such demonstration, and the State may treat such Federal funds as reimbursement for expenditures properly made by the State under the programs concerned, to the extent that such funds are used by the State to improve the demonstration or otherwise benefit individuals and families included in the demonstration.

(i)(1) Notwithstanding any other provision of this section, with respect to any program included in the application for which benefits are provided on an entitlement basis, a State may propose in its application that expenditures under such program (including the Federal and non-Federal shares of such expenditures) be continued as an entitlement in accordance with such terms and conditions as the State proposes in the application. In the event a State makes such proposal, the head of each Federal department or agency with responsibility for the program with respect to which the proposal is made shall estimate the amount of funds that would be expended under the proposed demonstration and the difference between such amount and the amount of funds that would, but for the demonstration, be expended. Such department or agency head shall report the results of such estimate to the Secretary along with a statement of the principles and assumptions it employed in making such estimate, including, in the case of any program with respect to which the department or agency head has discretion in the provision of funds, the recent experience of such State (or grantees or contractors within the State) with respect to fund awards under such program. The principles and assumptions shall be consistent with all Federal laws and regulations applicable to the program, and the funding of the program, as in effect at the time the estimates are made.

(2) *The Secretary shall reject any proposal made under paragraph (1) that, as estimated under such paragraph, would result in a large decrease or increase in the amount of Federal funds expended for the program with respect to which the proposal is made. If the Secretary approves the proposal, such program shall not be treated as part of the application for purposes of subsection (a) and the amount of Federal funds available for carrying out such program shall be the amount determined in accordance with this subsection.*

APPROVAL OF APPLICATION

SEC. 495. (a)(1) *The Secretary shall only approve an application under this part if—*

(A) *the rights of individuals and families under title VI of the Civil Rights Act of 1964, the Age Discrimination Act of 1973, title IX of the Education Amendments of 1972, title VIII of the Civil Rights Act of 1968, and all other applicable law prohibiting discrimination are protected; and*

(B) *all requirements of this part, including the budget, are met.*

(2) *The Secretary shall not approve an application under this part if approving such application would result in more than 50 demonstrations being conducted under this part at any one time.*

(b)(1) *The Secretary shall notify a State of his decision whether to approve an application submitted under this part not later than four months after the date such application is submitted.*

(2)(A) *If an application is approved under this part, the Secretary shall promptly notify the Governor of the provisions of law and regulation that are waived for the period of the demonstration, the amount of federal funding that will be available for all programs included in the application, and the schedule of payments.*

(B) *If the Secretary decides not to approve an application under this part, the Secretary shall promptly notify the Governor of the basis for such decision.*

(c) *In the case of an application that meets the requirements of this part, the Secretary may, at the request of the State, waive any provision of law or regulation (other than one imposed by or pursuant to this section) applicable to a program included in an application under this part to the extent the Secretary determines that such waiver is appropriate.*

EXCLUSIVITY OF ELIGIBILITY UNDER DEMONSTRATION

SEC. 496. (a) *Notwithstanding any other provision of law, once an application has been approved by the Secretary, if an individual or family is within a class eligible to participate in a demonstration under such application, then such individual or family shall only be eligible for benefits (whether provided in cash, in kind, in the form of services, or in any other form or manner) under a program included in the demonstration under the terms and as part of the demonstration (including individuals or families who are ineligible for benefits under the demonstration solely by reason of their*

income or assets or their failure to comply with a condition of eligibility for benefits under the demonstration).

(b) An individual or family participating in a demonstration under this part shall be eligible for any program that is not included in the demonstration if such individual or family would be eligible for the program in the absence of the demonstration.

REPORTS TO THE CONGRESS; CHANGES IN DEMONSTRATION

SEC. 497. (a)(1) Not later than one year after the date on which a demonstration is terminated in accordance with section 498, the Secretary shall submit to Congress a final report regarding the evaluations conducted under this part.

(2) The Secretary shall submit an annual progress report to Congress describing the demonstrations being conducted during a year and their effectiveness in achieving the objectives of this part. Such report shall be based on the interim reports submitted by States pursuant to section 493(d)(5)(G).

(b)(1) If a State determines that an amendment to the demonstration, as described in its application as originally submitted, would improve the likelihood of its accomplishing the objectives of this part, the State may submit such amendment to the Secretary.

(2) The Secretary shall approve the amendment submitted under paragraph (1) if—

(A) the amendment meets all the requirements for submission under this part that applied to the application as originally submitted to and approved by the Secretary, and

(B) the cash, in-kind benefits, and services to which individuals are entitled under the demonstration are not substantially altered.

(3) The Secretary shall notify the Governor of the effective date of the amendment, the increased Federal and non-Federal funding (if any) that will be made available, and any other matters necessary to implement the amendment without adversely affecting the conduct of the demonstration.

TERMINATION OF PROJECTS

SEC. 498. (a) Except as provided in subsection (b), a demonstration under this part shall be conducted for a period of not more than five years.

(b)(1)(A) If the Governor of a State conducting a demonstration under this part determines that the demonstration is not (or is not likely to be) effective and that the interests of the Federal government, the State, or the participating individuals and families would be better served by returning to the separate conduct of the programs included in the application, the Governor may terminate the demonstration in accordance with subparagraph (B).

(B) The Governor shall notify the Secretary of his decision to terminate the demonstration under subparagraph (A) not later than three months before the date of termination (or not later than such other date as the Governor and Secretary may select).

(2) If the Secretary determines that a demonstration is not meeting any condition of approval described in section 495, the Secretary

may terminate the demonstration in accordance with the schedule of termination described in paragraph (1)(B).

* * * * *

TITLE XI—GENERAL PROVISIONS AND PEER REVIEW

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PART A—GENERAL PROVISIONS

* * * * *

Sec. 1108. Limitation on payments to Puerto Rico, the Virgin Islands, [and Guam] *Guam, and American Samoa.*

* * * * *

PART A—GENERAL PROVISIONS

DEFINITIONS

SEC. 1101. [42 U.S.C. 1301] (a) When used in this Act—

(1) The term "State", except where otherwise provided, includes the District of Columbia and the Commonwealth of Puerto Rico, and when used in titles IV, V, VII, XI, and XIX includes the Virgin Islands and Guam. Such term when used in titles III, IX, and XII also includes the Virgin Islands. Such term when used in title V and in part B of this title also includes American Samoa, the Northern Mariana Islands, and the Trust Territory of the Pacific Islands. Such term when used in title XIX also includes the Northern Mariana Islands and American Samoa. In the case of Puerto Rico, the Virgin Islands, and Guam, titles I, X, and XIV, and title XVI (as in effect without regard to the amendment made by section 301 of the Social Security Amendments of 1972) shall continue to apply, and the term "State" when used in such titles (but not in title XVI as in effect pursuant to such amendment after December 31, 1973) includes Puerto Rico, the Virgin Islands, and Guam. Such term when used in title XX also includes the Virgin Islands, Guam, and the Northern Mariana Islands. *Such term when used in title IV also includes American Samoa.*

* * * * *

LIMITATION ON PAYMENTS TO PUERTO RICO, THE VIRGIN ISLANDS, [AND GUAM] GUAM, AND AMERICAN SAMOA

SEC. 1108. [42 U.S.C. 1308] (a) The total amount certified by the Secretary of Health and Human Services under titles I, X, XIV, and XVI, and under parts A and E of title IV (exclusive of any amounts on account of services and items to which subsection (b) or, in the case of part A of title IV, section 403(k) applies)—

(1) for payment to Puerto Rico shall not exceed—

(A) * * *

* * * * *

(E) \$24,000,000 with respect to each of the fiscal years 1972 through 1978, [or]

[(F) \$72,000,000 with respect to the fiscal year 1979 and each fiscal year thereafter;]

(F) \$72,000,000 with respect to each of the fiscal years 1979 through 1988, or

(G) \$82,000,000 with respect to fiscal year 1989 and each fiscal year thereafter;

- * * * * *
- (2) for payment to the Virgin Islands shall not exceed—
(A) * * *

* * * * *

(E) \$800,000 with respect to each of the fiscal years 1972 through 1978, [or]

[(F) \$2,400,000 with respect to the fiscal year 1979 and each fiscal year thereafter;]

(F) \$2,400,000 with respect to each of the fiscal years 1979 through 1988, or

(G) \$2,800,000 with respect to fiscal year 1989 and each fiscal year thereafter;

- * * * * *
- (3) for payment to Guam shall not exceed—
(A) * * *

* * * * *

(E) \$1,100,000 with respect to each of the fiscal years 1972 through 1978, [or]

[(F) \$3,300,000 with respect to the fiscal year 1979 and each fiscal year thereafter.]

(F) \$3,300,000 with respect to each of the fiscal years 1979 through 1988, or

(G) \$3,800,000 with respect to fiscal year 1989 and each fiscal year thereafter.

- * * * * *
- (b) The total amount certified by the Secretary under part A of title IV, on account of family planning services [and services provided under section 402(a)(19)] with respect to any fiscal year—

* * * * *

(d) The total amount certified by the Secretary under parts A and E of title IV (exclusive of any amounts on account of services and items to which, in the case of part A of such title, section 430(k) applies) with respect to a fiscal year for payment to American Samoa shall not exceed \$1,000,000.

[(d)] (e) Nothing in this Act shall be construed as authorizing any Federal official, agent, or representative, in carrying out any of the provisions of this Act, to take charge of any child over the objection of either of the parents of such child, or of the person standing in loco parentis to such child.

* * * * *

DEMONSTRATION PROJECTS

SEC. 1115. [42 U.S.C. 1315] (a) In the case of any experimental, pilot, or demonstration project which, in the judgment of the Secretary, is likely to assist in promoting the objectives of title I, X, XIV, XVI, or XIX, or part A or D of title IV, in a State or States—

* * * * *

(b)(1) In order to permit the States to achieve more efficient and effective use of funds for public assistance, to reduce dependency, and to improve the living conditions and increase the incomes of individuals who are recipients of public assistance, any State having an approved plan under part A of title IV may, subject to the provisions of this subsection, establish and conduct not more than three demonstration projects. In establishing and conducting any such project the State shall—

(A) * * *

* * * * *

(C) provide that participation in such project by any individual receiving [aid to families with dependent children] aid in the form of child support payments be voluntary.

* * * * *

(d)(1) In order to encourage States to develop innovative education and training programs for children receiving child support supplements under State plans approved under section 402(a), any State may establish and conduct one or more demonstration projects, targeted to such children, designed to test financial incentives and alternative approaches to reducing the number of school dropouts, encouraging skill development, and avoiding welfare dependence.

(2) The Secretary may make grants to States to assist in financing demonstration projects under this subsection.

(3) Demonstration projects under this subsection shall meet such conditions and requirements as the Secretary shall prescribe, and each such project shall be conducted for at least one year but for no longer than 5 years.

(4) There are authorized to be appropriated \$500,000 for each of the fiscal years 1989, 1990, 1991, 1992, and 1993 for the purpose of making grants to States to conduct demonstration projects under this subsection.

(e)(1) In order to encourage States to employ or arrange for the employment of parents of dependent children receiving child support supplements under State plans approved under section 402(a) as providers of child care for other children receiving such supplements, up to five States may undertake and carry out demonstration projects designed to test whether such employment will effectively facilitate the conduct of the education, training, and work program under section 417 by making additional child care services available to meet the requirements of section 402(g)(1)(A) while affording significant numbers of families receiving such supplements a realistic opportunity to avoid welfare dependence.

(2) The Secretary shall consider all applications received from States desiring to conduct demonstration projects under this subsection, shall approve up to five applications involving projects which

appear likely to contribute significantly to the achievement of the purpose of this subsection, and shall make grants to those States the applications of which are approved to assist them in carrying out such projects. Each project conducted under this subsection shall meet such conditions and requirements as the Secretary shall prescribe.

(3) There are authorized to be appropriated \$1,000,000 for each of the fiscal years 1989, 1990, 1991, 1992, and 1993 for the purpose of making grants to States to carry out demonstration projects under this subsection.

* * * * *

ALTERNATIVE FEDERAL PAYMENT WITH RESPECT TO PUBLIC ASSISTANCE EXPENDITURES

SEC. 1118. [42 U.S.C. 1318] In the case of any State which has in effect a plan approved under title XIX for any calendar quarter, the total of the payments to which such State is entitled for such quarter, and for each succeeding quarter in the same fiscal year (which for purposes of this section means the 4 calendar quarters ending with September 30), under paragraphs (1) and (2) of sections 3(a), 403(a), 1003(a), and 1603(a) shall, at the option of the State, be determined by application of the Federal medical assistance percentage (as defined in section 1905), instead of the percentages provided under each such section, to the expenditures under its State plans approved under titles I, X, XIV, and XVI, and part A of title IV, which would be included in determining the amounts of the Federal payments to which such State is entitled under such sections, but without regard to any maximum on the dollar amounts per recipient which may be counted under such sections. For purposes of the preceding sentence, the term "Federal medical assistance percentage" shall, in the case of Puerto Rico, the Virgin Islands, and Guam, mean 75 per centum and shall, in the case of American Samoa, mean 75 per centum with respect to part A of title IV.

* * * * *

TITLE XIX—GRANTS TO STATES FOR MEDICAL ASSISTANCE PROGRAMS

* * * * *

STATE PLANS FOR MEDICAL ASSISTANCE

SEC. 1902. [42 U.S.C. 1396a] (a) A State plan for medical assistance must—

* * * * *

(10) provide—

(A) for making medical assistance available, including at least the care and services listed in paragraphs (1) through (5) and (17) of section 1905(a), to—

(i) all individuals—

(I) who are receiving aid or assistance under any plan of the State approved under title I, X, XIV, or XVI, or part A or part E of title IV (including individuals eligible under this title by reason of section 402(a)(37), 406(h), or 473(b), or considered by the State to be receiving such aid as authorized under section [414(g)] 417(f)(6)),

(II) with respect to whom supplemental security income benefits are being paid under title XVI or who are qualified severely impaired individuals (as defined in section 1905(q)), or

(III) who are qualified [pregnant women or children] *family members* as defined in section 1905(n);

* * * * *

(e)(1) [Notwithstanding any other provision of this title, effective January 1, 1974, each State plan approved under this title must provide that each family which was receiving aid pursuant to a plan of the State approved under part A of title IV in at least 3 of the 6 months immediately preceding the month in which such family became ineligible for such aid because of increased hours of, or increased income from, employment, shall, while a member of such family is employed, remain eligible for assistance under the plan approved under this title (as though the family was receiving aid under the plan approved under part A of title IV) for 4 calendar months beginning with the month in which such family became ineligible for aid under the plan approved under part A of title IV because of income and resources or hours of work limitations contained in such plan.] *For provisions relating to extension of coverage for certain families which have received child support supplements pursuant to a State plan approved under part A of title IV and which have earned income, see section 1923.*

* * * * *

DEFINITIONS

SEC. 1905. [42 U.S.C. 1396d] For purposes of this title—

(a) The term “medical assistance” means payment of part or all of the cost of the following care and services (if provided in or after the third month before the month in which the recipient makes application for assistance or, in the case of a qualified medicare beneficiary described in subsection (p)(1), if provided after the month in which the individual becomes such a beneficiary) for individuals, and, with respect to physicians’ or dentists’ services, at the option of the State, to individuals (other than individuals with respect to whom there is being paid, or who are eligible, or would be eligible if they were not in a medical institution, to have paid with respect to them a State supplementary payment and are eligible for medical assistance equal in amount, duration, and scope to the medical assistance made available to individuals described in section 1902(a)(10)(A)) not receiving aid or assistance under any plan of the State approved under title I, X, XIV, or XVI, or part A of title IV,

and with respect to whom supplemental security income benefits are not being paid under title XVI, who are—

* * * * *

(vii) blind or disabled as defined in section 1614, with respect to States not eligible to participate in the State plan program established under title XVI, [or]

(viii) pregnant women,
but whose income and resources are insufficient to meet all of such cost—

(1) * * *

* * * * *

(21) any other medical care, and any other type of remedial care recognized under State law, specified by the Secretary; except as otherwise provided in paragraph (16), such term does not include—

(A) any such payments with respect to care or services for any individual who is an inmate of a public institution (except as a patient in a medical institution); or

(B) any such payments with respect to care or services for any individual who has not attained 65 years of age and who is a patient in an institution for mental diseases[.], or

(ix) *individuals provided extended benefits under section 1923,*

* * * * *

(n) The term “qualified [pregnant woman or child] family members” means—

(1) a pregnant woman who—

(A) would be eligible for aid to families with dependent children under part A of title IV (or would be eligible for such aid if coverage under the State plan under part A of title IV included aid to families with dependent children of unemployed parents pursuant to section 407) if her child had been born and was living with her in the month such aid would be paid, and such pregnancy has been medically verified;

[(B) is a member of a family which would be eligible for aid under the State plan under part A of title IV pursuant to section 407 if the plan required the payment of aid pursuant to such section; or]

(B) *is a member of a family that would be receiving child support supplements under the State plan under part A of title IV pursuant to section 407 if the State had not exercised the option under section 407(b)(2)(B)(i); or*

(C) otherwise meets the income and resources requirements of a State plan under part A of title IV; [and]

(2)(A) a child who is under 5 years of age, who was born after September 30, 1983 (or such earlier date as the State may designate), and who meets the income and resources requirements of the State plan under part A of title IV[.]; and

(B) *a child who is under 18 years of age and who is a member of a family described in paragraph (1)(B); and*

(3) at the option of the State, any individual who is a member of a family described in paragraph (1)(B).

* * * * *

EXTENDED ELIGIBILITY FOR MEDICAL ASSISTANCE

SEC. 1923. (a)(1) Notwithstanding any other provision of this title, each State plan approved under this title must provide that each family which was receiving child support supplements pursuant to the plan of the State approved under part A of title IV in at least three of the six months immediately preceding the month in which such family becomes ineligible for such supplements as a result of increased hours of, or increased income from, employment or as a result of section 402(a)(8)(B)(ii)(II) shall, subject to paragraph (3), and without any reapplication for benefits under the plan, remain eligible for assistance under the plan approved under this title during the immediately succeeding six-month period in accordance with this subsection.

(2) Each State, in the notice of termination of supplements under part A of title IV sent to a family meeting the requirements of paragraph (1)—

(A) shall notify the family of its right to extended medical assistance under this subsection and include in the notice a description of the circumstances (described in paragraph (3)) under which such extension may be terminated; and

(B) shall include a card or other evidence of the family's entitlement to assistance under this title for the period provided in this subsection.

(3)(A) Subject to subparagraph (B), extension of assistance for the six-month period described in paragraph (1) shall be denied to a family for any month—

(i) in which the family does not include a child who is (or would if need be) a dependent child under part A of title IV (except that, with respect to a child who is an individual described in clause (i) or (v) of section 1905(a), who would cease to receive medical assistance because of clause (i) of this subparagraph, but who may be eligible for assistance under the State plan because of section 1902(a)(10)(A)(ii), the State may not discontinue such assistance under this subparagraph until the State has determined that the child is not eligible for assistance under the plan);

(ii) beginning after a month during which the caretaker relative has—

(I) submitted false or misleading information in order to obtain child support supplements under part A of title IV,

(II) been subject to a sanction under section 417(i) (but only if the caretaker relative has been subject to the sanction within the preceding 12 months),

(III) without good cause, terminated his or her employment, refused to accept employment, or reduced his or her hours of employment, or

(IV) failed to cooperate with the State as required under subparagraph (B) or (C) of section 402(a)(26); and

(iii) beginning after the twelfth month out of the preceding 36 months for which the individual has received assistance under this subsection or subsection (b).

(B) No denial of assistance shall become effective under subparagraph (A) until the State has provided the family with notice of the grounds for the denial, which notice shall include, in the case of denial under subparagraph (A)(ii)(III), a description of how the family may reestablish eligibility for medical assistance under the State plan.

(4)(A) Subject to subparagraph (B), during the six-month extension period under this subsection, the amount, duration, and scope of medical assistance made available with respect to a family shall be the same as if the family were still receiving child support supplements under the plan approved under part A of title IV.

(B) A State, at its option, may pay a family's expenses for premiums, deductibles, coinsurance, or similar costs for health insurance or other health coverage offered by an employer of the caretaker relative (and, if the health insurance or coverage provides more cost-effective coverage, by an employer of the absent parent who is paying child support for a dependent child). In the case of such coverage offered by an employer of the caretaker relative—

(i) the State may require the caretaker relative, as a condition of extension of coverage under this subsection, to make application for such employer coverage (but only if the State provides, directly or otherwise, for payment of any of the premium amount, deductible, coinsurance, or similar expense that the caretaker relative is otherwise required to pay); and

(ii) the State shall treat the coverage under such an employer plan as a third party liability (under section 1902(a)(25)).

Payments for coverage under this subparagraph shall be considered, for purposes of section 1903(a), to be payments for medical assistance.

(b)(1) Notwithstanding any other provision of this title, each State plan approved under this title shall provide that the State shall offer to each family, which has received assistance during the entire six-month period under subsection (a) and which meets the requirement of paragraph (2)(B), in the last month of the period, the option of extending coverage under this subsection for the succeeding six-month period.

(2)(A) Each State, during the second and fourth month of any extended assistance furnished to a family under subsection (a), shall notify the family of the family's option for subsequent extended assistance under this subsection. Each such notice shall include (i) a statement of monthly reporting requirements, (ii) a statement as to the premiums required for such extended assistance, and (iii) a description of other out-of-pocket expenses, benefits, reporting and payment procedures, and any pre-existing condition limitations, waiting periods, or other coverage limitations imposed under any alternative coverage options offered under paragraph (4)(D).

(B) Each State shall require that a family receiving extended assistance under subsection (a) report the family's gross monthly earnings (and monthly costs of child care incurred by reason of the employment of the caretaker relative) to the State on such date or dates

(as chosen by the State) after the second month of extended assistance under subsection (a).

(3)(A) Subject to subparagraph (B), extension of assistance for the six-month period described in paragraph (1) shall be denied to a family for any month—

(i) in which the family does not include a child who is (or would if needy be) a dependent child under part of title IV (except that, with respect to a child who is an individual described in clause (i) or (v) of section 1905(a), who would cease to receive medical assistance because of clause (i) of this subparagraph, but who may be eligible for assistance under the State plan because of section 1902(a)(10)(A)(ii), the State may not discontinue such assistance under this subparagraph until the State has determined that the child is not eligible for assistance under the plan);

(ii) beginning after a month during which the caretaker relative has—

(I) submitted false or misleading information in order to obtain child support supplements under part A of title IV,

(II) been subject to a sanction under section 417(i), (but only if the caretaker relative has been subject to the sanction in the preceding 12 months),

(III) without good cause, terminated his or her employment, refused to accept employment, or reduced his or her hours of employment, or

(IV) failed to cooperate with the State as required under subparagraph (B) or (C) of section 402(a)(26);

(iii) beginning after the twelfth month out of the preceding 36 months for which the individual has received assistance under this section or subsection (a);

(iv) beginning after a month with respect to which the family fails to pay any monthly premium required under this subsection in accordance with regulations prescribed by the Secretary (unless the individual establishes, to the satisfaction of the State, good cause for the failure to pay such premium on a timely basis); or

(v) beginning after a month with respect to which—

(I) subject to the last sentence of this subparagraph, the family fails to meet the reporting requirement of paragraph (2)(B) (unless the family establishes, to the satisfaction of the State, good cause for such failure), or

(II) the State determines that the family's average gross monthly earnings (less the costs of such child care as is necessary for the employment of the caretaker relative) during the preceding month exceeds 185 percent of the official poverty line (as defined by the Office of Management and Budget, and revised annually in accordance with section 673(2) of the Omnibus Budget Reconciliation Act of 1981) applicable to a family of the size involved.

Information described in clause (v)(I) shall be subject to the restrictions on use and disclosure of information provided under section 402(a)(9). The State shall make determinations under clause (v)(II) for a family each time a report described in clause (v)(I) for the family is received. Instead of terminating a family's extension under

clause (v)(I), a State, at its option, may provide for suspension of the extension until the month after the month in which the family's extension would otherwise be terminated to allow the family additional time to meet the reporting requirement of paragraph (2)(B) (but only if the family's extension has not otherwise been terminated under clause (v)(II)).

(B) No denial of assistance shall become effective under subparagraph (A) until the State has provided the family with notice of the grounds for the denial, which notice shall include, in the case of denial under subparagraph (A)(ii)(III), a description of how the family may reestablish eligibility for medical assistance under the State plan.

(4)(A) During the extension period under this subsection—

(i) the State plan shall offer to each family medical assistance which (subject to subparagraphs (B) and (C)) is the same amount, duration, and scope as would be made available to the family if it were still receiving aid under the plan approved under part A of title IV; and

(ii) the State plan may offer alternative coverage described in subparagraph (D).

(B) At a State's option, notwithstanding any other provision of this title, a State may choose not to provide medical assistance under this subsection with respect to any (or all) of the items and services described in paragraphs (4)(A), (6), (7), (8), (11), (13), (14), (15), (16), (18), (20), and (21) of section 1905(a).

(C) At a State's option, the State may elect to apply the option described in subsection (a)(4)(B) for families electing medical assistance under this subsection in the same manner as such option applies to families provided extended medical assistance under subsection (a).

(D) At a State's option, instead of the medical assistance otherwise made available under this subsection, the State may offer families a choice of health care coverage under one or more of the following:

(i) Enrollment of the caretaker relative and dependent child in a family option of the group health plan offered to the caretaker relative.

(ii) Enrollment of the caretaker relative and dependent children in a family option within the options of the group health plan or plans offered by the State to State employees.

(iii) Enrollment of the caretaker relative and dependent children in a basic State health plan offered by the State to individuals in the State (or areas of the State) otherwise unable to obtain health insurance coverage.

(iv) Enrollment of the caretaker relative and dependent children in a health maintenance organization (as defined in section 1903(m)(1)(A)) less than 50 percent of the membership (enrolled in a prepaid basis) of which consists of individuals who are eligible to receive benefits under this title (other than because of the option offered under this clause).

If a State elects to offer under an option to enroll a family under this subparagraph, the State shall pay any premiums, deductibles, coinsurance, and other costs for such enrollment imposed on the family. A State's payment of premiums for the enrollment of fami-

lies under this subparagraph (not including any premiums otherwise payable by an employer and less the amount of premiums collected from such families under paragraph (5)) shall be considered, for purposes of section 1903(a)(1), to be payments for medical assistance.

(5)(A) Notwithstanding any other provision of this title (including section 1916), a State shall impose a premium for a family for extended coverage under this subsection, but only if the family's gross monthly earnings (less the monthly costs for such child care as is necessary for the employment of the caretaker relative) exceeds 100 percent of the official poverty line (as defined by the Office of Management and Budget, and revised annually in accordance with section 673(2) of the Omnibus Budget Reconciliation Act of 1981) applicable to a family of the size involved.

(B) The level of such premium may vary, for the same family, for each option offered by a State under paragraph (4)

(C) In no case may the amount of any premium under this paragraph for a family for any month exceed three percent of the family's gross monthly earnings.

(c) In this section, the term "caretaker relative" has the meaning of such term as used in part A of title IV.

REFERENCES TO LAWS DIRECTLY AFFECTING MEDICAID PROGRAM

SEC. [1923.] 1924. [42 U.S.C. 1396s] (a) AUTHORITY OR REQUIREMENTS TO COVER ADDITIONAL INDIVIDUALS.—For provisions of law which make additional individuals eligible for medical assistance under this title, see the following:

(1) AFDC.—(A) * * *

* * * * *

(D) Section [414(g)] 417(f)(6) of this Act (relating to certain individuals participating in work supplementation programs).

* * * * *

INTERNAL REVENUE CODE OF 1986

* * * * *

SEC. 21. EXPENSES FOR HOUSEHOLD AND DEPENDENT CARE SERVICES NECESSARY FOR GAINFUL EMPLOYMENT

(a) ALLOWANCE OF CREDIT.—

(1) IN GENERAL.—In the case of an individual who maintains a household which includes as a member one or more qualifying individuals (as defined in subsection (b)(1)), there shall be allowed as a credit against the tax imposed by this chapter for the taxable year an amount equal to the applicable percentage of the employment-related expenses (as defined in subsection (b)(2)) paid by such individual during the taxable year.

[(2) APPLICABLE PERCENTAGE DEFINED.—For purposes of paragraph (1), then term "applicable percentage" means 30 percent reduced (but not below 20 percent) by 1 percentage point for each \$2,000 (or fraction thereof) by which the taxpayer's adjusted gross income for the taxable year exceeds \$10,000.]

(2) *APPLICABLE PERCENTAGE DEFINED.*—For purposes of paragraph (1), the term “applicable percentage” means 30 percent reduced (but not below 0) by the sum of—

(A) 1 percentage point (but no more than a total of 10 percentage points) for each \$2,000 (or fraction thereof) by which the taxpayer’s adjusted gross income for the taxable year exceeds \$10,000, plus

(B) 1 percentage point for each \$1,250 (or fraction thereof) by which the taxpayer’s adjusted gross income for the taxable year exceeds \$70,000.

* * * * *

SEC. 6109. IDENTIFYING NUMBERS.

(a) *SUPPLYING OF IDENTIFYING NUMBERS.*—When required by regulations prescribed by the Secretary:

* * * * *

(e) *FURNISHING NUMBER FOR CERTAIN DEPENDENTS.*—If—

(1) any taxpayer claims an exemption under section 151 for any dependent on a return for any taxable year, and

(2) such dependent has attained the age of [5 years] 2 years before the close of such taxable year, such taxpayer shall include on such return the identifying number (for purposes of this title) of such dependent.

* * * * *

DEFICIT REDUCTION ACT OF 1984

* * * * *

COLLECTION OF NON-TAX DEBTS OWED TO FEDERAL AGENCIES

SEC. 2653. (a)(1) * * *

* * * * *

(c) The amendments made by this section shall apply with respect to refunds payable under section 6402 of the Internal Revenue Code of 1954 after December 31, 1985[, and before July 1, 1988].

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UNITED STATES CODE

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TITLE 5—GOVERNMENT ORGANIZATION

* * * * *

§ 5315. Positions at level IV

Level IV of the Executive Schedule applies to the following positions, for which the annual rate of basic pay shall be the rate determined with respect to such level under chapter 11 of title 2, as adjusted by section 5318 of this title:

* * * * *

Assistant Secretaries of Health and Human Services [(4)] (5).

FAMILY SUPPORT ACT OF 1988

SEPTEMBER 28, 1988.—Ordered to be printed

Mr. ROSTENKOWSKI, from the committee of conference,
submitted the following

CONFERENCE REPORT

[To accompany H.R. 1720]

The committee of conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H.R. 1720) to replace the existing AFDC program with a new Family Support Program which emphasizes work, child support, and need-based family support supplements, to amend title IV of the Social Security Act to encourage and assist needy children and parents under the new program to obtain the education, training and employment needed to avoid long-term welfare dependence, and to make other necessary improvements to assure that the new program will be more effective in achieving its objectives, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the House recede from its disagreement to the amendment of the Senate and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

(a) **SHORT TITLE.**—*This Act may be cited as the "Family Support Act of 1988".*

(b) **TABLE OF CONTENTS.**—*The table of contents of this Act is as follows:*

Sec. 1. Short title; table of contents.

TITLE I—CHILD SUPPORT AND ESTABLISHMENT OF PATERNITY

SUBTITLE A—CHILD SUPPORT

Sec. 101. Immediate income withholding.

Sec. 102. Disregard applicable to timely child support payments.

Sec. 103. State guidelines for child support award amounts.

Sec. 104. Timing of notice of support payment collections.

SUBTITLE B—ESTABLISHMENT OF PATERNITY

Sec. 111. Performance standards for State paternity establishment programs.

Sec. 112. Increased Federal assistance for paternity establishment.

SUBTITLE C—IMPROVED PROCEDURES FOR CHILD SUPPORT ENFORCEMENT AND ESTABLISHMENT OF PATERNITY

Sec. 121. Requirement of prompt State response to requests for child support assistance.

Sec. 122. Requirement of prompt State distribution of amounts collected as child support.

Sec. 123. Automated tracking and monitoring systems made mandatory.

Sec. 124. Additional information source for parent locator service.

Sec. 125. Use of social security number to establish identity of parents.

Sec. 126. Commission on Interstate Child Support.

Sec. 127. Costs of interstate enforcement demonstrations excluded in computing incentive payments.

Sec. 128. Study of child-rearing costs.

Sec. 129. Collection and reporting of child support enforcement data.

TITLE II—JOB OPPORTUNITIES AND BASIC SKILLS TRAINING PROGRAM

Sec. 201. Establishment and operation of program.

Sec. 202. Technical and conforming amendments.

Sec. 203. Regulations; performance standards; studies.

Sec. 204. Effective date.

TITLE III—SUPPORTIVE SERVICES FOR FAMILIES

Sec. 301. Child care during participation in education, employment, and training.

Sec. 302. Extended eligibility for child care.

Sec. 303. Extended eligibility for medical assistance.

Sec. 304. Effective dates.

TITLE IV—RELATED AFDC AMENDMENTS

Sec. 401. Benefits for two-parent families.

Sec. 402. Changes in earned income disregards.

Sec. 403. Households headed by minor parents.

Sec. 404. Periodic reevaluation of need and payment standards.

Sec. 405. CBO study on implementation of national minimum payment standard.

Sec. 406. Study of new national approaches to welfare benefits for low-income families with children.

TITLE V—DEMONSTRATION PROJECTS

Sec. 501. Family support demonstration projects.

Sec. 502. Demonstration projects to test the effect of early childhood development programs.

Sec. 503. Demonstration projects to test alternative definitions of unemployment.

Sec. 504. Demonstration projects to address child access problems.

Sec. 505. Demonstration projects to expand the number of job opportunities available to certain low-income individuals.

Sec. 506. Demonstration projects to provide counseling and services to high-risk teenagers.

Sec. 507. Eighteen-month extension of Minnesota prepaid medicaid demonstration project.

TITLE VI—MISCELLANEOUS PROVISIONS

Sec. 601. Inclusion of American Samoa as a State under title IV.

Sec. 602. Increase in amount available for payment to Puerto Rico, the Virgin Islands, and Guam.

Sec. 603. Assistant Secretary for Family Support.

Sec. 604. Responsibilities of the State.

Sec. 605. Establishment of preeligibility fraud detection measures.

Sec. 606. Uniform reporting requirements.

Sec. 607. State reports on expenditure and use of social services funds.

- Sec. 608. Miscellaneous technical corrections to Medicare Catastrophic Coverage Act of 1988.
- Sec. 609. Extension of quality control penalty moratorium.

TITLE VII—FUNDING PROVISIONS

- Sec. 701. Temporary extension of provisions relating to collection of nontax debts owed to Federal agencies.
- Sec. 702. Limitation on use of reimbursement arrangements to avoid 2-percent floor.
- Sec. 703. Modifications to dependent care credit and exclusion for dependent care assistance.
- Sec. 704. Taxpayer identification number required for dependents who have attained age 2.

TITLE I—CHILD SUPPORT AND ESTABLISHMENT OF PATERNITY

Subtitle A—Child Support

SEC. 101. IMMEDIATE INCOME WITHHOLDING.

(a) **IN GENERAL.**—Section 466(b)(3) of the Social Security Act is amended to read as follows:

“(3)(A) The wages of an absent parent shall be subject to such withholding, regardless of whether support payments by such parent are in arrears, in the case of a support order being enforced under this part that is issued or modified on or after the first day of the 25th month beginning after the date of the enactment of this paragraph, on the effective date of the order; except that such wages shall not be subject to such withholding under this subparagraph in any case where (i) one of the parties demonstrates, and the court (or administrative process) finds, that there is good cause not to require immediate income withholding, or (ii) a written agreement is reached between both parties which provides for an alternative arrangement.

“(B) The wages of an absent parent shall become subject to such withholding, in the case of wages not subject to withholding under subparagraph (A), on the date on which the payments which the absent parent has failed to make under a support order are at least equal to the support payable for one month or, if earlier, and without regard to whether there is an arrearage, the earliest of—

“(i) the date as of which the absent parent requests that such withholding begin,

“(ii) the date as of which the custodial parent requests that such withholding begin, if the State determines, in accordance with such procedures and standards as it may establish, that the request should be approved, or

“(iii) such earlier date as the State may select.”.

(b) **APPLICATION TO ALL CHILD SUPPORT ORDERS.**—Section 466(a)(8) of such Act is amended—

(1) by inserting “(A)” before “Procedures”;

(2) by striking “which are issued or modified in the State” and inserting in lieu thereof “not described in subparagraph (B)”; and

(3) by adding at the end the following new subparagraph:

"(B) Procedures under which all child support orders which are initially issued in the State on or after January 1, 1994, and are not being enforced under this part will include the following requirements:

"(i) The requirements of subsection (b)(1) (which shall apply in the case of each absent parent against whom a support order is or has been issued or modified in the State, without regard to whether the order is being enforced under the State plan).

"(ii) The requirements of paragraphs (2), (5), (6), (7), (8), (9), and (10) of subsection (b), where applicable.

"(iii) Withholding from income of amounts payable as support must be carried out in full compliance with all procedural due process requirements of the State."

(c) STUDY ON MAKING IMMEDIATE INCOME WITHHOLDING MANDATORY IN ALL CASES.—The Secretary of Health and Human Services shall conduct a study of the administrative feasibility, cost implications, and other effects of requiring immediate income withholding with respect to all child support awards in a State and shall report on the results of such study not later than 3 years after the date of the enactment of this Act.

(d) EFFECTIVE DATE.—(1) The amendment made by subsection (a) shall become effective on the first day of the 25th month beginning after the date of the enactment of this Act.

(2) The amendments made by subsection (b) shall become effective on January 1, 1994.

(3) Subsection (c) shall become effective on the date of the enactment of this Act.

SEC. 102. DISREGARD APPLICABLE TO TIMELY CHILD SUPPORT PAYMENTS.

(a) IN GENERAL.—Section 402(a)(8)(A)(vi) of the Social Security Act is amended by striking "of any child support payments received in such month" and inserting in lieu thereof "of any child support payments for such month received in that month, and the first \$50 of child support payments for each prior month received in that month if such payments were made by the absent parent in the month when due,".

(b) CONFORMING AMENDMENT.—Section 457(b)(1) of such Act is amended by striking "the first \$50 of such amounts as are collected periodically which represent monthly support payments" and inserting in lieu thereof "of such amounts as are collected periodically which represent monthly support payments, the first \$50 of any payments for a month received in that month, and the first \$50 of payments for each prior month received in that month which were made by the absent parent in the month when due,".

(c) EFFECTIVE DATE.—The amendments made by this section shall become effective on the first day of the first calendar quarter which begins after the date of the enactment of this Act.

SEC. 103. STATE GUIDELINES FOR CHILD SUPPORT AWARD AMOUNTS.

(a) GUIDELINES TO CREATE REBUTTABLE PRESUMPTION.—Section 467(b) of the Social Security Act is amended—

(1) by inserting "(1)" after "(b)";

(2) by striking ", but need not be binding upon such judges or other officials"; and

(3) by adding at the end the following new paragraph:

"(2) There shall be a rebuttable presumption, in any judicial or administrative proceeding for the award of child support, that the amount of the award which would result from the application of such guidelines is the correct amount of child support to be awarded. A written finding or specific finding on the record that the application of the guidelines would be unjust or inappropriate in a particular case, as determined under criteria established by the State, shall be sufficient to rebut the presumption in that case."

(b) **GUIDELINES TO BE REVIEWED EVERY 4 YEARS.**—Section 467(a) of such Act is amended by inserting "and shall be reviewed at least once every 4 years to ensure that their application results in the determination of appropriate child support award amounts" after "action".

(c) **STATE LAW REQUIREMENTS FOR REVIEW OF INDIVIDUAL AWARDS.**—Section 466(a) of such Act is amended by inserting after paragraph (9) the following new paragraph:

"(10)(A) Procedures to ensure that, beginning 2 years after the date of the enactment of this paragraph, if the State determines (pursuant to a plan indicating how and when child support orders in effect in the State are to be periodically reviewed and adjusted) that a child support order being enforced under this part should be reviewed, the State must, at the request of either parent subject to the order, or of a State child support enforcement agency, initiate a review of such order, and adjust such order, as appropriate, in accordance with the guidelines established pursuant to section 467(a).

"(B) Procedures to ensure that, beginning 5 years after the date of the enactment of this paragraph or such earlier date as the State may select, the State must implement a process for the periodic review and adjustment of child support orders being enforced under this part under which the order is to be reviewed not later than 36 months after the establishment of the order or the most recent review, and adjusted, as appropriate, in accordance with the guidelines established pursuant to section 467(a), unless—

"(i) in the case of an order with respect to an individual with respect to whom an assignment under section 402(a)(26) is in effect, the State has determined, in accordance with regulations of the Secretary, that such a review would not be in the best interests of the child and neither parent has requested review; and

"(ii) in the case of any other order being enforced under this part, neither parent has requested review.

"(C) Procedures to ensure that the State notifies each parent subject to a child support order in effect in the State that is being enforced under this part—

"(i) of a review at least 30 days before the commencement of such review; and

"(ii) of the right of such parent under subparagraph (B) to request the State to review such order; and

"(iii) of a proposed adjustment (or determination that there should be no change) in the child support award amount, and such parent is afforded not less than 30 days

after such notification to initiate proceedings to challenge such adjustment (or determination).”.

(d) **STUDY OF IMPACT OF EXTENDING PERIODIC REVIEW REQUIREMENT TO ALL OTHER CASES.**—Within 2 years after the date of the enactment of this Act, the Secretary of Health and Human Services shall conduct and complete a study to determine the impact on child support awards and the courts of requiring each State to periodically review all child support orders in effect in the State.

(e) **DEMONSTRATION PROJECTS FOR EVALUATING MODEL PROCEDURES FOR REVIEWING CHILD SUPPORT AWARDS.**—(1) Not later than April 1, 1989, the Secretary of Health and Human Services (in this subsection referred to as the “Secretary”) shall enter into an agreement with each of 4 States submitting applications under this subsection for the purpose of conducting a demonstration project under part D of title IV of the Social Security Act in the State to test and evaluate model procedures for reviewing child support award amounts.

(2) Notwithstanding section 454(1) of the Social Security Act, a demonstration project conducted under this subsection may be conducted in one or more political subdivisions of the State.

(3) An agreement under this subsection shall be entered into between the Secretary and the State agency designated by the Governor of the State involved. Under such agreement, the Secretary shall pay to the State, as an additional payment under part D of title IV of the Social Security Act, an amount equal to 90 percent of the reasonable costs incurred by the State in conducting a demonstration project under this subsection. Such costs shall not be taken into account for purposes of computing the incentive payment under section 458 of such Act.

(4) A demonstration project under this subsection shall be commenced not later than September 30, 1989, and shall be conducted for a 2-year period unless the Secretary determines that the State conducting the project is not in substantial compliance with the terms of the agreement entered into with the State under paragraph (1).

(5)(A) Any State with an agreement under this subsection shall furnish the Secretary with such information as the Secretary determines to be necessary to evaluate the results of the project conducted by the State.

(B) The Secretary shall report the results of the demonstration projects conducted under this subsection to Congress not later than 6 months after all such projects are completed.

(f) **EFFECTIVE DATE.**—The amendments made by this section shall become effective one year after the date of the enactment of this Act.

SEC. 104. TIMING OF NOTICE OF SUPPORT PAYMENT COLLECTIONS.

(a) **IN GENERAL.**—Section 454(5)(A) of the Social Security Act is amended by striking “at least annually” and inserting in lieu thereof “on a monthly basis (or on a quarterly basis for so long as the Secretary determines with respect to a State that requiring such notice on a monthly basis would impose an unreasonable administrative burden)”.

(b) **EFFECTIVE DATE.**—The amendment made by subsection (a) shall become effective on the first day of the first calendar quarter

which begins 4 or more years after the date of the enactment of this Act.

Subtitle B—Establishment of Paternity

SEC. 111. PERFORMANCE STANDARDS FOR STATE PATERNITY ESTABLISHMENT PROGRAMS.

(a) **STANDARDS FOR STATE PROGRAMS.**—Section 452 of the Social Security Act is amended by adding at the end the following new subsection:

“(g)(1) A State’s program under this part shall be found, for purposes of section 403(h), not to have complied substantially with the requirements of this part unless, for any fiscal year beginning on or after October 1, 1991, its paternity establishment percentage for such fiscal year equals or exceeds—

“(A) 50 percent;

“(B) the paternity establishment percentage of the State for the fiscal year 1988, increased by the applicable number of percentage points; or

“(C) the paternity establishment percentage determined with respect to all States for such fiscal year.

“(2) For purposes of this section—

“(A) the term ‘paternity establishment percentage’ means, with respect to a State (or all States, as the case may be) for a fiscal year, the ratio (expressed as a percentage) that the total number of children—

“(i) who have been born out of wedlock,

“(ii)(I) except as provided in the last sentence of this paragraph, with respect to whom aid is being paid under the State’s plan approved under part A (or under all such plans) for such fiscal year, or (II) with respect to whom services are being provided under the State’s plan approved under this part (or under all such plans) for the fiscal year pursuant to an application submitted under section 454(6), and

“(iii) the paternity of whom has been established, bears to the total number of children who have been born out of wedlock and (except as provided in such last sentence) with respect to whom aid is being paid under the State’s plan approved under part A (or under all such plans) for such fiscal year or with respect to whom services are being provided under the State’s plan approved under this part (or under all such plans) for the fiscal year pursuant to an application submitted under section 454(6); and

“(B) the applicable number of percentage points means, with respect to a fiscal year (beginning with the fiscal year 1991), 3 percentage points multiplied by the number of fiscal years after the fiscal year 1989 and before the beginning of such fiscal year.

For purposes of subparagraph (A), the total number of children shall not include any child who is a dependent child by reason of the death of a parent or any child with respect to whom an applicant or recipient is found to have good cause for refusing to cooperate under section 402(a)(26).

"(3)(A) The requirements of this subsection are in addition to and shall not supplant any other requirement (that is not inconsistent with such requirements) established in regulations by the Secretary for the purpose of determining (for purposes of section 403(h)) whether the program of a State operated under this part shall be treated as complying substantially with the requirements of this part.

"(B) The Secretary may modify the requirements of this subsection to take into account such additional variables as the Secretary identifies (including the percentage of children born out-of-wedlock in a State) that affect the ability of a State to meet the requirements of this subsection.

"(C) The Secretary shall submit an annual report to the Congress that sets forth the data upon which the paternity establishment percentages for States for a fiscal year are based, lists any additional variables the Secretary has identified under subparagraph (A), and describes State performance in establishing paternity."

(b) **GENETIC TESTS MAY BE REQUIRED BY CONTESTING PARTY.**—Section 466(a)(5) of such Act is amended—

(1) by inserting "(A)" after "(5)"; and

(2) by adding at the end the following new subparagraph:

"(B) Procedures under which the State is required (except in cases where the individual involved has been found under section 402(a)(26)(B) to have good cause for refusing to cooperate) to require the child and all other parties, in a contested paternity case, to submit to genetic tests upon the request of any such party."

(c) **STATES MAY CHARGE INDIVIDUALS NOT RECEIVING AFDC FOR COSTS OF GENETIC TESTS TO ESTABLISH PATERNITY.**—Section 454(6) of such Act is amended—

(1) by redesignating clause (D) as clause (E); and

(2) by inserting "(D) a fee (established under regulations of the Secretary) for performing genetic tests may be imposed on any individual who is not a recipient of aid under a State plan approved under part A," after "section 464(a)(2),".

(d) **ENCOURAGEMENT OF CIVIL PROCESSES.**—Part D of title IV of such Act is amended by adding at the end the following new section:

"ENCOURAGEMENT OF STATES TO ADOPT SIMPLE CIVIL PROCESS FOR VOLUNTARILY ACKNOWLEDGING PATERNITY AND A CIVIL PROCEDURE FOR ESTABLISHING PATERNITY IN CONTESTED CASES

"SEC. 468. In the administration of the child support enforcement program under this part, each State is encouraged to establish and implement a simple civil process for voluntarily acknowledging paternity and a civil procedure for establishing paternity in contested cases."

(e) **REQUIREMENT TO PERMIT PATERNITY ESTABLISHMENT FOR CHILD UNDER 18.**—Section 466(a)(5)(A) of such Act (as so designated by subsection (b) of this section) is amended—

(1) by inserting "(i)" before "(A)"; and

(2) by inserting at the end the following new clause:

"(ii) As of August 16, 1984, the requirement of clause (i) shall also apply to any child for whom paternity has not yet been established

and any child for whom a paternity action was brought but dismissed because a statute of limitations of less than 18 years was then in effect in the State.”.

(f) **EFFECTIVE DATE; IMPLEMENTATION.**—(1) The amendments made by subsections (a), (d), and (e) shall become effective on the date of the enactment of this Act.

(2) The amendments made by subsections (b) and (c) shall become effective on the first day of the first month beginning one year or more after the date of the enactment of this Act.

(3) The Secretary of Health and Human Services shall collect the data necessary to implement the requirements of section 452(g) of the Social Security Act (as added by subsection (a) of this section) and may, in carrying out the requirement of determining a State's paternity establishment percentage for the fiscal year 1988, compute such percentage on the basis of data collected with respect to the last quarter of such fiscal year (or, if such data are not available, the first quarter of the fiscal year 1989) if the Secretary determines that data for the full year are not available.

SEC. 112. INCREASED FEDERAL ASSISTANCE FOR PATERNITY ESTABLISHMENT.

(a) **INCREASED PAYMENTS TO STATES.**—Section 455(a)(1) of the Social Security Act is amended—

(1) by striking “and” at the end of subparagraph (A);

(2) by striking the semicolon at the end of subparagraph (B) and inserting in lieu thereof “, and”; and

(3) by adding at the end the following new subparagraph:

“(C) equal to 90 percent (rather than the percentage specified in subparagraph (A)) of so much of the sums expended during such quarter as are attributable to laboratory costs incurred in determining paternity”.

(b) **EFFECTIVE DATE.**—The amendments made by subsection (a) shall apply with respect to laboratory costs incurred on or after October 1, 1988.

Subtitle C—Improved Procedures for Child Support Enforcement and Establishment of Paternity

SEC. 121. REQUIREMENT OF PROMPT STATE RESPONSE TO REQUESTS FOR CHILD SUPPORT ASSISTANCE.

(a) **IN GENERAL.**—Section 452 of the Social Security Act (as amended by section 111(a) of this Act) is further amended by adding at the end the following new subsection:

“(h) The standards required by subsection (a)(1) shall include standards establishing time limits governing the period or periods within which a State must accept and respond to requests (from States, jurisdictions thereof, or individuals who apply for services furnished by the State agency under this part or with respect to whom an assignment under section 402(a)(26) is in effect) for assistance in establishing and enforcing support orders, including requests to locate absent parents, establish paternity, and initiate proceedings to establish and collect child support awards.”.

(b) **ADVISORY COMMITTEE; REGULATIONS.**—(1) Not later than 60 days after the date of the enactment of this Act, the Secretary of Health and Human Services shall establish an advisory committee. The committee shall include representatives of organizations representing State governors, State welfare administrators, and State directors of programs under part D of title IV of the Social Security Act. The Secretary shall consult with the advisory committee before issuing any regulations with respect to the standards required by the amendment made by subsection (a) (including regulations regarding what constitutes an adequate response on the part of a State to the request of an individual, State, or jurisdiction).

(2) Not later than 180 days after the date of the enactment of this Act, the Secretary of Health and Human Services shall issue a notice of proposed rulemaking with respect to the standards required by the amendment made by subsection (a), and, after allowing not less than 60 days for public comment, shall issue final regulations not later than the first day of the 10th month beginning after such date of enactment.

SEC. 122. REQUIREMENT OF PROMPT STATE DISTRIBUTION OF AMOUNTS COLLECTED AS CHILD SUPPORT.

(a) **IN GENERAL.**—Section 452 of the Social Security Act (as amended by the preceding provisions of this Act) is further amended by adding at the end the following new subsection:

“(i) The standards required by subsection (a)(1) shall include standards establishing time limits governing the period or periods within which a State must distribute, in accordance with section 457, amounts collected as child support pursuant to the State’s plan approved under this part.”

(b) **REGULATIONS.**—Not later than 180 days after the date of the enactment of this Act, the Secretary of Health and Human Services shall issue a notice of proposed rulemaking with respect to the standards required by the amendment made by subsection (a), and, after allowing not less than 60 days for public comment, shall issue final regulations not later than the first day of the 10th month to begin after such date of enactment.

SEC. 123. AUTOMATED TRACKING AND MONITORING SYSTEMS MADE MANDATORY.

(a) **PLAN REQUIREMENT.**—(1) Section 454 of the Social Security Act is amended—

(A) by striking “and” after the semicolon at the end of paragraph (22);

(B) by striking the period at the end of paragraph (23) and inserting in lieu thereof “; and”; and

(C) by inserting after paragraph (23) the following new paragraph:

“(24) provide that if the State, as of the date of the enactment of this paragraph, does not have in effect an automated data processing and information retrieval system meeting all of the requirements of paragraph (16), the State—

“(A) will submit to the Secretary by October 1, 1991, for review and approval by the Secretary within 9 months after submittal an advance automated data processing planning document of the type referred to in such paragraph; and

“(B) will have in effect by October 1, 1995, an operational automated data processing and information retrieval system, meeting all the requirements of that paragraph, which has been approved by the Secretary.”.

(2) Section 454(16) of such Act is amended by striking “an automatic” and inserting in lieu thereof “a statewide automated”.

(b) **WAIVER AUTHORITY.**—Section 452(d) of such Act is amended—

(1) by striking “The” in paragraph (1) and inserting in lieu thereof “Except as provided in paragraph (3), the”; and

(2) by adding at the end the following new paragraph:

“(3) The Secretary may waive any requirement of paragraph (1) or any condition specified under section 454(16) with respect to a State if—

“(A) the State demonstrates to the satisfaction of the Secretary that the State has an alternative system or systems that enable the State, for purposes of section 403(h), to be in substantial compliance with other requirements of this part; and

“(B)(i) the waiver meets the criteria of paragraphs (1), (2), and (3) of section 1115(c), or

“(ii) the State provides assurances to the Secretary that steps will be taken to otherwise improve the State’s child support enforcement program.”.

(c) **REPEAL OF 90-PERCENT FEDERAL REIMBURSEMENT RATE FOR AUTOMATED DATA SYSTEMS.**—Effective September 30, 1995, section 455(a)(1) of such Act (as amended by section 112(a) of this Act) is amended—

(1) by striking subparagraphs (A) and (B);

(2) by redesignating subparagraph (C) as subparagraph (A);

(3) in subparagraph (A) (as so redesignated)—

(A) by striking “(rather than the percentage specified in subparagraph (A))”; and

(B) by inserting “and” after the semicolon; and

(4) by inserting after subparagraph (A) (as so redesignated) the following new subparagraph:

“(B) an amount equal to the percent specified in paragraph (2) of the total amounts expended by such State during such quarter for the operation of the plan approved under section 454;”.

(d) **CONFORMING AMENDMENTS.**—Sections 402(e), 452(d)(1), and 454(16) of such Act are each amended by striking “automatic” each place it appears and inserting in lieu thereof “automated”.

SEC. 124. ADDITIONAL INFORMATION SOURCE FOR PARENT LOCATOR SERVICE.

(a) **IN GENERAL.**—Section 453(e) of the Social Security Act is amended by adding at the end the following new paragraph:

“(3) The Secretary of Labor shall enter into an agreement with the Secretary to provide prompt access for the Secretary (in accordance with this subsection) to the wage and unemployment compensation claims information and data maintained by or for the Department of Labor or State employment security agencies.”.

(b) **STATE REQUIREMENT TO ASSIST SECRETARY IN OBTAINING INFORMATION.**—(1) Section 303 of such Act is amended by adding at the end the following new subsection:

"(h)(1) The State agency charged with the administration of the State law shall take such actions (in such manner as may be provided in the agreement between the Secretary of Health and Human Services and the Secretary of Labor under section 453(e)(3)) as may be necessary to enable the Secretary of Health and Human Services to obtain prompt access to any wage and unemployment compensation claims information (including any information that might be useful in locating an absent parent or such parent's employer) for use by the Secretary of Health and Human Services, for purposes of section 453, in carrying out the child support enforcement program under title IV.

"(2) Whenever the Secretary of Labor, after reasonable notice and opportunity for hearing to the State agency charged with the administration of the State law, finds that there is a failure to comply substantially with the requirement of paragraph (1), the Secretary of Labor shall notify such State agency that further payments will not be made to the State until such Secretary is satisfied that there is no longer any such failure. Until the Secretary of Labor is so satisfied, such Secretary shall make no further certification to the Secretary of the Treasury with respect to such State."

(2) Section 304(a)(2) of such Act is amended by striking "or (e)" and inserting in lieu thereof "(e), or (h)".

(c) **EFFECTIVE DATE; IMPLEMENTATION.**—(1) Except as provided in paragraph (2), the amendments made by subsections (a) and (b) shall become effective on the first day of the first calendar quarter which begins one year or more after the date of the enactment of this Act.

(2) The Secretary of Health and Human Services and the Secretary of Labor shall enter into the agreement required by the amendment made by subsection (a) not later than 90 days after the date of the enactment of this Act.

SEC. 125. USE OF SOCIAL SECURITY NUMBER TO ESTABLISH IDENTITY OF PARENTS.

(a) **DISCLOSURE OF SOCIAL SECURITY NUMBER AT TIME OF CHILD'S BIRTH.**—Section 205(c)(2)(C) of the Social Security Act is amended—

(1) in clause (i)—

(A) by inserting "(I)" after "(i)"; and

(B) by adding at the end the following new subclause:

"(II) In the administration of any law involving the issuance of a birth certificate, each State shall require each parent to furnish to such State (or political subdivision thereof) or any agency thereof having administrative responsibility for the law involved, the social security account number (or numbers, if the parent has more than one such number) issued to the parent unless the State (in accordance with regulations prescribed by the Secretary) finds good cause for not requiring the furnishing of such number. The State shall make numbers furnished under this subclause available to the agency administering the State's plan under part D of title IV in accordance with Federal or State law and regulation. Such numbers shall not be recorded on the birth certificate. A State shall not use any social security account number, obtained with respect to the issuance by the State of a birth certificate, for any purpose other than for the enforcement of child support orders in effect in the State,

unless section 7(a) of the Privacy Act of 1974 does not prohibit the State from requiring the disclosure of such number, by reason of the State having adopted, before January 1, 1975, a statute or regulation requiring such disclosure.”; and

(2) in clause (ii)—

(A) by striking “clause (i) of this subparagraph” and inserting in lieu thereof “subclause (I) of clause (i)”;

(B) by adding at the end the following new sentence: “If and to the extent that any such provision is inconsistent with the requirement set forth in subclause (II) of clause (i), such provision shall, on and after the date of the enactment of such subclause, be null, void, and of no effect.”.

(b) **EFFECTIVE DATE.**—The amendments made by subsection (a) shall become effective on the first day of the 25th month which begins on or after the date of the enactment of this Act.

SEC. 126. COMMISSION ON INTERSTATE CHILD SUPPORT.

(a) **ESTABLISHMENT OF COMMISSION.**—There is hereby established a Commission to be known as the Commission on Interstate Child Support (in this section referred to as the “Commission”) to be composed of 15 members appointed in accordance with subsection (b)(1).

(b) **APPOINTMENT AND TERM OF MEMBERS; VACANCIES; TRANSACTION OF BUSINESS.**—(1) Members of the Commission shall be appointed as follows from among individuals knowledgeable in matters involving interstate child support:

(A) Four members shall be appointed jointly by the Majority and Minority Leaders of the Senate, in consultation with the chairman and ranking minority member of the Committee on Finance of the Senate.

(B) Four members shall be appointed jointly by the Speaker of the House and the Minority Leader of the House, in consultation with the chairman and ranking minority member of the Committee on Ways and Means of the House of Representatives.

(C) Seven members shall be appointed by the Secretary of Health and Human Services (in this section referred to as the “Secretary”).

(2) Members of the Commission shall serve for the life of the Commission. A vacancy on the Commission shall be filled in the manner in which the original appointment was made and shall not affect the powers or duties of the Commission.

(3) A majority of the members of the Commission shall constitute a quorum for the transaction of business. Decisions of the Commission shall be according to the vote of a simple majority of those present and voting at a properly called meeting.

(4) The members of the Commission shall be appointed by July 1, 1989. The first meeting of the Commission shall be called by the Secretary as promptly as possible after all such members are appointed. At such meeting, the members of the Commission shall select a chairman from among such members and shall meet thereafter at the call of the chairman or of a majority of the members.

(c) **BASIC PAY.**—(1) Members of the Commission shall serve as such without pay.

(2) Members of the Commission shall be allowed travel expenses, including a per diem allowance in lieu of subsistence, in the same

manner as persons serving intermittently in the government service are allowed travel expenses under section 5703 of title 5 of the United States Code.

(d) **DUTIES OF THE COMMISSION.**—(1) During the fiscal year 1990, the Commission shall hold one or more national conferences on interstate child support reform for the purpose of assisting the Commission in preparing the report required under paragraph (2).

(2) Not later than May 1, 1991, the Commission shall submit a report to the Congress that contains recommendations for—

(A) improving the interstate establishment and enforcement of child support awards, and

(B) revising the Uniform Reciprocal Enforcement of Support Act.

(e) **POWERS OF THE COMMISSION.**—(1) The Commission may use the United States mails in the same manner and upon the same conditions as other departments and agencies of the United States Government.

(2) The Commission may accept, use, and dispose of donations of money and property and may accept such volunteer services of individuals as it deems appropriate.

(3) The Commission may procure supplies, services, and property, and make contracts (but only to the extent or in such amounts as are provided in appropriation Acts).

(4) For purposes of carrying out its duties under subsection (d), the Commission may adopt such rules for its organization and procedures as it deems appropriate.

(f) **TERMINATION OF THE COMMISSION.**—(1) The Commission shall terminate on July 1, 1991.

(2) Any funds held by the Commission on the date of termination of the Commission shall be deposited in the general fund of the Treasury of the United States and credited as miscellaneous receipts. Any property (other than funds) held by the Commission on such date shall be disposed of as excess or surplus property.

(g) **AUTHORIZATION OF APPROPRIATIONS.**—For the purpose of carrying out this section, there is authorized to be appropriated \$2,000,000.

SEC. 127. COSTS OF INTERSTATE ENFORCEMENT DEMONSTRATIONS EXCLUDED IN COMPUTING INCENTIVE PAYMENTS.

Section 458(d) of the Social Security Act is amended by inserting immediately before the period at the end the following: “, and any amounts expended by the State in carrying out a special project assisted under section 455(e) shall be excluded”.

SEC. 128. STUDY OF CHILD-REARING COSTS.

The Secretary of Health and Human Services shall, by grant or contract, conduct a study of the patterns of expenditures on children in 2-parent families, in single-parent families following divorce or separation, and in single-parent families in which the parents were never married, giving particular attention to the relative standards of living in households in which both parents and all of the children do not live together. The Secretary shall submit to the Congress no later than 2 years after the date of the enactment of this Act a full and complete report of the results of such study, including such recommendations as the Secretary may have for legislative, adminis-

trative, and other actions. There are authorized to be appropriated such sums as may be necessary to carry out this section.

SEC. 129. COLLECTION AND REPORTING OF CHILD SUPPORT ENFORCEMENT DATA.

Part D of title IV of the Social Security Act is amended by adding at the end the following new section:

"COLLECTION AND REPORTING OF CHILD SUPPORT ENFORCEMENT DATA

"SEC. 469. (a) The Secretary of Health and Human Services shall collect and maintain, on a fiscal year basis, up-to-date statistics, by State, with respect to each of the services specified in subsection (b) (separately stated in the case of each such service for families receiving aid under plans approved under part A of title IV of the Social Security Act and for families not receiving such aid), on—

"(1) the number of cases in the child support enforcement agency caseload under part D of title IV of such Act which need the service involved; and

"(2) the number of such cases in which the service has actually been provided.

"(b) The services referred to in subsection (a) are—

"(1) paternity determination;

"(2) location of an absent parent for the purpose of establishing a child support obligation;

"(3) establishment of a child support obligation; and

"(4) location of an absent parent for the purpose of enforcing or modifying an established child support obligation.

"(c) For purposes of subsection (a)(2), a service has actually been provided when the task described by the service has been accomplished."

TITLE II—JOB OPPORTUNITIES AND BASIC SKILLS TRAINING PROGRAM

SEC. 201. ESTABLISHMENT AND OPERATION OF PROGRAM.

(a) STATE PLAN REQUIREMENT.—Section 402(a)(19) of the Social Security Act is amended to read as follows:

"(19) provide—

"(A) that the State has in effect and operation a job opportunities and basic skills training program which meets the requirements of part F;

"(B) that—

"(i) the State will (except as otherwise provided in this paragraph or part F), to the extent that the program is available in the political subdivision involved and State resources otherwise permit—

"(I) require all recipients of aid to families with dependent children in such subdivision with respect to whom the State guarantees child care in accordance with section 402(g) to participate in the program; and

"(II) allow applicants for and recipients of aid to families with dependent children who are not re-

quired under subclause (I) to participate in the program to do so on a voluntary basis;

"(ii) in determining the priority of participation by individuals from among those groups described in clauses (i), (ii), (iii), and (iv) of section 403(1)(2)(B), the State will give first consideration to applicants for or recipients of aid to families with dependent children within any such group who volunteer to participate in the program;

"(iii) if an exempt participant drops out of the program without good cause after having commenced participation in the program, he or she shall thereafter not be given priority so long as other individuals are actively seeking to participate; and

"(iv) the State need not require or allow participation of an individual in the program if as a result of such participation the amount payable to the State for quarters in a fiscal year with respect to the program would be reduced pursuant to section 403(1)(2);

"(C) that an individual may not be required to participate in the program if such individual—

"(i) is ill, incapacitated, or of advanced age;

"(ii) is needed in the home because of the illness or incapacity of another member of the household;

"(iii) subject to subparagraph (D)—

"(I) is the parent or other relative of a child under 3 years of age (or, if so provided in the State plan, under any age that is less than 3 years but not less than one year) who is personally providing care for the child, or

"(II) is the parent or other relative personally providing care of a child under 6 years of age, if the State assures that child care in accordance with section 402(g) will be guaranteed and that participation in the program by the parent or relative will not be required for more than 20 hours a week;

"(iv) works 30 or more hours a week;

"(v) is a child who is under age 16 or attends, full-time, an elementary, secondary, or vocational (or technical) school;

"(vi) is pregnant if it has been medically verified that the child is expected to be born in the month in which such participation would otherwise be required or within the 6-month period immediately following such month; or

"(vii) resides in an area of the State where the program is not available;

"(D) that, in the case of a family eligible for aid to families with dependent children by reason of the unemployment of the parent who is the principal earner, subparagraph (C)(iii) shall apply only to one parent, except that, in the case of such a family, the State may at its option make such subparagraph inapplicable to both of the parents (and

require their participation in the program) if child care in accordance with section 402(g) is guaranteed with respect to the family;

“(E) that—

“(i) to the extent that the program is available in the political subdivision involved and State resources otherwise permit, in the case of a custodial parent who has not attained 20 years of age, has not successfully completed a high-school education (or its equivalent), and is required to participate in the program (including an individual who would otherwise be exempt from participation in the program solely by reason of subparagraph (C)(iii)), the State agency (subject to clause (ii)) will require such parent to participate in an educational activity; and

“(ii) the State agency may—

“(I) require a parent described in clause (i) (notwithstanding the part-time requirement in subparagraph (C)(iii)(II)) to participate in educational activities directed toward the attainment of a high school diploma or its equivalent on a full-time (as defined by the educational provider) basis,

“(II) establish criteria in accordance with regulations of the Secretary under which custodial parents described in clause (i) who have not attained 18 years of age may be exempted from the school attendance requirement under such clause, or

“(III) require a parent described in clause (i) who is age 18 or 19 to participate in training or work activities (in lieu of the educational activities under such clause) if such parent fails to make good progress in successfully completing such educational activities or if it is determined (prior to any assignment of the individual to such educational activities) pursuant to an educational assessment that participation in such educational activities is inappropriate for such parent;

“(F) that—

“(i) if the parent or other caretaker relative or any dependent child in the family is attending (in good standing) an institution of higher education (as defined in section 481(a) of the Higher Education Act of 1965), or a school or course of vocational or technical training (not less than half time) consistent with the individual's employment goals, and is making satisfactory progress in such institution, school, or course, at the time he or she would otherwise commence participation in the program under this section, such attendance may constitute satisfactory participation in the program (by that caretaker or child) so long as it continues and is consistent with such goals;

“(ii) any other activities in which an individual described in clause (i) participates may not be permitted

to interfere with the school or training described in that clause;

"(iii) the costs of such school or training shall not constitute federally reimbursable expenses for purposes of section 403; and

"(iv) the costs of day care, transportation, and other services which are necessary (as determined by the State agency) for such attendance in accordance with section 402(g) are eligible for Federal reimbursement;

"(G) that—

"(i) if an individual who is required by the provisions of this paragraph to participate in the program or who is so required by reason of the State's having exercised the option under subparagraph (D) fails without good cause to participate in the program or refuses without good cause to accept employment in which such individual is able to engage which is offered through the public employment offices of the State, or is otherwise offered by an employer if the offer of such employer is determined to be a bona fide offer of employment—

"(I) the needs of such individual (whether or not section 407 applies) shall not be taken into account in making the determination with respect to his or her family under section 402(a)(7), and if such individual is a parent or other caretaker relative, payments of aid for any dependent child in the family in the form of payments of the type described in section 406(b)(2) (which in such a case shall be without regard to clauses (A) through (D) thereof) will be made unless the State agency, after making reasonable efforts, is unable to locate an appropriate individual to whom such payments can be made; and

"(II) if such individual is a member of a family which is eligible for aid to families with dependent children by reason of section 407, and his or her spouse is not participating in the program, the needs of such spouse shall also not be taken into account in making such determination;

"(ii) any sanction described in clause (i) shall continue—

"(I) in the case of the individual's first failure to comply, until the failure to comply ceases;

"(II) in the case of the individual's second failure to comply, until the failure to comply ceases or 3 months (whichever is longer); and

"(III) in the case of any subsequent failure to comply, until the failure to comply ceases or 6 months (whichever is longer);

"(iii) the State will promptly remind any individual whose failure to comply has continued for 3 months, in writing, of the individual's option to end the sanction by terminating such failure; and

“(iv) no sanction shall be imposed under this subparagraph—

“(I) on the basis of the refusal of an individual described in subparagraph (C)(iii)(II) to accept employment, if the employment would require such individual to work more than 20 hours a week, or

“(II) on the basis of the refusal of an individual to participate in the program or accept employment, if child care (or day care for any incapacitated individual living in the same home as a dependent child) is necessary for an individual to participate in the program or accept employment, such care is not available, and the State agency fails to provide such care; and

“(H) the State agency may require a participant in the program to accept a job only if such agency assures that the family of such participant will experience no net loss of cash income resulting from acceptance of the job; and any costs incurred by the State agency as a result of this subparagraph shall be treated as expenditures with respect to which section 403(a)(1) or 403(a)(2) applies;”.

(b) **ESTABLISHMENT AND OPERATION OF PROGRAM.**—Title IV of such Act is further amended by adding at the end the following new part:

“PART F—JOB OPPORTUNITIES AND BASIC SKILLS TRAINING PROGRAM

“PURPOSE AND DEFINITIONS

“SEC. 481. (a) **PURPOSE.**—It is the purpose of this part to assure that needy families with children obtain the education, training, and employment that will help them avoid long-term welfare dependence.

“(b) **MEANING OF TERMS.**—Except to the extent otherwise specifically indicated, terms used in this part shall have the meanings given them in or under part A.

“ESTABLISHMENT AND OPERATION OF STATE PROGRAMS

“SEC. 482. (a) **STATE PLANS FOR JOB OPPORTUNITIES AND BASIC SKILLS TRAINING PROGRAMS.**—(1)(A) As a condition of its participation in the program of aid to families with dependent children under part A, each State shall establish and operate a job opportunities and basic skills training program (in this part referred to as the ‘program’) under a plan approved by the Secretary as meeting all of the requirements of this part and section 402(a)(19), and shall, in accordance with regulations prescribed by the Secretary, periodically (but not less frequently than every 2 years) review and update its plan and submit the updated plan for approval by the Secretary.

“(B) A State plan for establishing and operating the program must describe how the State intends to implement the program during the period covered by the plan, and must indicate, through cross-references to the appropriate provisions of this part and part A, that the program will be operated in accordance with such provi-

sions of law. In addition, such plan must contain (i) an estimate of the number of persons to be served by the program, (ii) a description of the services to be provided within the State and the political subdivisions thereof, the needs to be addressed through the provision of such services, the extent to which such services are expected to be made available by other agencies on a nonreimbursable basis, and the extent to which such services are to be provided or funded by the program, and (iii) such additional information as the Secretary may require by regulation to enable the Secretary to determine that the State program will meet all of the requirements of this part and part A.

"(C) The Secretary shall consult with the Secretary of Labor on general plan requirements and on criteria to be used in approving State plans under this section.

"(D)(i) Not later than October 1, 1992, each State shall make the program available in each political subdivision of such State where it is feasible to do so, after taking into account the number of prospective participants, the local economy, and other relevant factors.

"(ii) If a State determines that it is not feasible to make the program available in each such subdivision, the State plan must provide appropriate justification to the Secretary.

"(2) The State agency that administers or supervises the administration of the State's plan approved under section 402 shall be responsible for the administration or supervision of the administration of the State's program.

"(3) Federal funds made available to a State for purposes of the program shall not be used to supplant non-Federal funds for existing services and activities which promote the purpose of this part. State or local funds expended for such purpose shall be maintained at least at the level of such expenditures for the fiscal year 1986.

"(b) ASSESSMENT AND REVIEW OF NEEDS AND SKILLS OF PARTICIPANTS; FAMILY SUPPORT PLAN.—(1)(A) The State agency must make an initial assessment of the educational, child care, and other supportive services needs as well as the skills, prior work experience, and employability of each participant in the program under this part, including a review of the family circumstances. The agency may also review the needs of any child of the participant.

"(B) On the basis of such assessment, the State agency, in consultation with the participant, shall develop an employability plan for the participant. The employability plan shall explain the services that will be provided by the State agency and the activities in which the participant will take part under the program, including child care and other supportive services, shall set forth an employment goal for the participant, and shall, to the maximum extent possible and consistent with this section, reflect the respective preferences of such participants. The plan must take into account the participant's supportive services needs, available program resources, and local employment opportunities. The employability plan shall not be considered a contract.

"(2) Following the initial assessment and review and the development of the employability plan with respect to any participant in the program, the State agency may require the participant (or the adult caretaker in the family of which the participant is a member) to negotiate and enter into an agreement with the State agency that

specifies such matters as the participant's obligations under the program, the duration of participation in the program, and the activities to be conducted and the services to be provided in the course of such participation. If the State agency exercises the option under the preceding sentence, the State agency must give the participant such assistance as he or she may require in reviewing and understanding the agreement.

"(3) The State agency may assign a case manager to each participant and the participant's family. The case manager so assigned must be responsible for assisting the family to obtain any services which may be needed to assure effective participation in the program.

"(c) PROVISION OF PROGRAM AND EMPLOYMENT INFORMATION.—(1) The State agency must ensure that all applicants for and recipients of aid to families with dependent children are encouraged, assisted, and required to fulfill their responsibilities to support their children by preparing for, accepting, and retaining such employment as they are capable of performing.

"(2) The State agency must inform all applicants for and recipients of aid to families with dependent children of the education, employment, and training opportunities, and the support services (including child care and health coverage transition options), for which they are eligible, the obligations of the State agency, and the rights, responsibilities, and obligations of participants in the program.

"(3) The State agency must—

"(A) provide (directly or through arrangements with others) information on the types and locations of child care services reasonably accessible to participants in the program,

"(B) inform participants that assistance is available to help them select appropriate child care services, and

"(C) on request, provide assistance to participants in obtaining child care services.

"(4) The State agency must inform applicants for and recipients of aid to families with dependent children of the grounds for exemption from participation in the program and the consequences of refusal to participate if not exempt, and provide other appropriate information with respect to such participation.

"(5) Within one month after the State agency gives a recipient of aid to families with dependent children the information described in the preceding provisions of this paragraph, the State agency must notify such recipient of the opportunity to indicate his or her desire to participate in the program, including a clear description of how to enter the program.

"(d) SERVICES AND ACTIVITIES UNDER THE PROGRAM.—(1)(A) In carrying out the program, each State shall make available a broad range of services and activities to aid in carrying out the purpose of this part. Such services and activities—

"(i) shall include—

"(I) educational activities (as appropriate), including high school or equivalent education (combined with training as needed), basic and remedial education to achieve a basic literacy level, and education for individuals with limited English proficiency;

"(II) job skills training;

"(III) job readiness activities to help prepare participants for work; and

"(IV) job development and job placement; and

"(ii) must also include at least 2 of the following:

"(I) group and individual job search as described in subsection (g);

"(II) on-the-job training;

"(III) work supplementation programs as described in subsection (e); and

"(IV) community work experience programs as described in subsection (f) or any other work experience program approved by the Secretary.

"(B) The State may also offer to participants under the program (i) postsecondary education in appropriate cases, and (ii) such other education, training, and employment activities as may be determined by the State and allowed by regulations of the Secretary.

"(2) If the State requires an individual who has attained the age of 20 years and has not earned a high school diploma (or equivalent) to participate in the program, the State agency shall include educational activities consistent with his or her employment goals as a component of the individual's participation in the program, unless the individual demonstrates a basic literacy level, or the employability plan for the individual identifies a long-term employment goal that does not require a high school diploma (or equivalent). Any other services or activities to which such a participant is assigned may not be permitted to interfere with his or her participation in an appropriate educational activity under this subparagraph.

"(e) **WORK SUPPLEMENTATION PROGRAM.**—(1) Any State may institute a work supplementation program under which such State, to the extent it considers appropriate, may reserve the sums that would otherwise be payable to participants in the program as aid to families with dependent children and use such sums instead for the purpose of providing and subsidizing jobs for such participants (as described in paragraph (3)(C) (i) and (ii)), as an alternative to the aid to families with dependent children that would otherwise be so payable to them.

"(2)(A) Notwithstanding section 406 or any other provision of law, Federal funds may be paid to a State under part A, subject to this subsection, with respect to expenditures incurred in operating a work supplementation program under this subsection.

"(B) Nothing in this part, or in any State plan approved under part A, shall be construed to prevent a State from operating (on such terms and conditions and in such cases as the State may find to be necessary or appropriate) a work supplementation program in accordance with this subsection and section 484.

"(C) Notwithstanding section 402(a)(23) or any other provision of law, a State may adjust the levels of the standards of need under the State plan as the State determines to be necessary and appropriate for carrying out a work supplementation program under this subsection.

"(D) Notwithstanding section 402(a)(1) or any other provision of law, a State operating a work supplementation program under this

subsection may provide that the need standards in effect in those areas of the State in which such program is in operation may be different from the need standards in effect in the areas in which such program is not in operation, and such State may provide that the need standards for categories of recipients may vary among such categories to the extent the State determines to be appropriate on the basis of ability to participate in the work supplementation program.

"(E) Notwithstanding any other provision of law, a State may make such further adjustments in the amounts of the aid to families with dependent children paid under the plan to different categories of recipients (as determined under subparagraph (D)) in order to offset increases in benefits from needs-related programs (other than the State plan approved under part A) as the State determines to be necessary and appropriate to further the purposes of the work supplementation program.

"(F) In determining the amounts to be reserved and used for providing and subsidizing jobs under this subsection as described in paragraph (1), the State may use a sampling methodology.

"(G) Notwithstanding section 402(a)(8) or any other provision of law, a State operating a work supplementation program under this subsection (i) may reduce or eliminate the amount of earned income to be disregarded under the State plan as the State determines to be necessary and appropriate to further the purposes of the work supplementation program, and (ii) during one or more of the first 9 months of an individual's employment pursuant to a program under this section, may apply to the wages of the individual the provisions of subparagraph (A)(iv) of section 402(a)(8) without regard to the provisions of subparagraph (B)(ii)(II) of such section.

"(3)(A) A work supplementation program operated by a State under this subsection may provide that any individual who is an eligible individual (as determined under subparagraph (B)) shall take a supplemented job (as defined in subparagraph (C)) to the extent that supplemented jobs are available under the program. Payments by the State to individuals or to employers under the work supplementation program shall be treated as expenditures incurred by the State for aid to families with dependent children except as limited by paragraph (4).

"(B) For purposes of this subsection, an eligible individual is an individual who is in a category which the State determines should be eligible to participate in the work supplementation program, and who would, at the time of placement in the job involved, be eligible for aid to families with dependent children under an approved State plan if such State did not have a work supplementation program in effect.

"(C) For purposes of this section, a supplemented job is—

"(i) a job provided to an eligible individual by the State or local agency administering the State plan under part A; or

"(ii) a job provided to an eligible individual by any other employer for which all or part of the wages are paid by such State or local agency.

A State may provide or subsidize under the program any job which such State determines to be appropriate.

"(4) The amount of the Federal payment to a State under section 403 for expenditures incurred in making payments to individuals

and employers under a work supplementation program under this subsection shall not exceed an amount equal to the amount which would otherwise be payable under such section if the family of each individual employed in the program established in such State under this subsection had received the maximum amount of aid to families with dependent children payable under the State plan to such a family with no income (without regard to adjustments under paragraph (2)) for the lesser of (A) 9 months, or (B) the number of months in which such individual was employed in such program.

"(5)(A) Nothing in this subsection shall be construed as requiring the State or local agency administering the State plan to provide employee status to an eligible individual to whom it provides a job under the work supplementation program (or with respect to whom it provides all or part of the wages paid to the individual by another entity under such program), or as requiring any State or local agency to provide that an eligible individual filling a job position provided by another entity under such program be provided employee status by such entity during the first 13 weeks such individual fills that position.

"(B) Wages paid under a work supplementation program shall be considered to be earned income for purposes of any provision of law.

"(6) Any State that chooses to operate a work supplementation program under this subsection shall provide that any individual who participates in such program, and any child or relative of such individual (or other individual living in the same household as such individual) who would be eligible for aid to families with dependent children under the State plan approved under part A if such State did not have a work supplementation program, shall be considered individuals receiving aid to families with dependent children under the State plan approved under part A for purposes of eligibility for medical assistance under the State plan approved under title XIX.

"(7) No individual receiving aid to families with dependent children under a State plan shall be excused by reason of the fact that such State has a work supplementation program from any requirement of this part relating to work requirements, except during periods in which such individual is employed under such work supplementation program.

"(f) **COMMUNITY WORK EXPERIENCE PROGRAM.**—(1)(A) Any State may establish a community work experience program in accordance with this subsection. The purpose of the community work experience program is to provide experience and training for individuals not otherwise able to obtain employment, in order to assist them to move into regular employment. Community work experience programs shall be designed to improve the employability of participants through actual work experience and training and to enable individuals employed under community work experience programs to move promptly into regular public or private employment. The facilities of the State public employment offices may be utilized to find employment opportunities for recipients under this program. Community work experience programs shall be limited to projects which serve a useful public purpose in fields such as health, social service, environmental protection, education, urban and rural development and redevelopment, welfare, recreation, public facilities, public safety,

and day care. To the extent possible, the prior training, experience, and skills of a recipient shall be used in making appropriate work experience assignments.

"(B)(i) A State that elects to establish a community work experience program under this subsection shall operate such program so that each participant (as determined by the State) either works or undergoes training (or both) with the maximum number of hours that any such individual may be required to work in any month being a number equal to the amount of the aid to families with dependent children payable with respect to the family of which such individual is a member under the State plan approved under this part, divided by the greater of the Federal minimum wage or the applicable State minimum wage (and the portion of a recipient's aid for which the State is reimbursed by a child support collection shall not be taken into account in determining the number of hours that such individual may be required to work).

"(ii) After an individual has been assigned to a position in a community work experience program under this subsection for 9 months, such individual may not be required to continue in that assignment unless the maximum number of hours of participation is no greater than (I) the amount of the aid to families with dependent children payable with respect to the family of which such individual is a member under the State plan approved under this part (excluding any portion of such aid for which the State is reimbursed by a child support payment), divided by (II) the higher of (a) the Federal minimum wage or the applicable State minimum wage, whichever is greater, or (b) the rate of pay for individuals employed in the same or similar occupations by the same employer at the same site.

"(C) Nothing contained in this subsection shall be construed as authorizing the payment of aid to families with dependent children as compensation for work performed, nor shall a participant be entitled to a salary or to any other work or training expense provided under any other provision of law by reason of his participation in a program under this subsection.

"(D) Nothing in this part or in any State plan approved under this part shall be construed to prevent a State from operating (on such terms and conditions and in such cases as the State may find to be necessary or appropriate) a community work experience program in accordance with this subsection and subsection (d).

"(E) Participants in community work experience programs under this subsection may perform work in the public interest (which otherwise meets the requirements of this subsection) for a Federal office or agency with its consent, and, notwithstanding section 1342 of title 31, United States Code, or any other provision of law, such agency may accept such services, but such participants shall not be considered to be Federal employees for any purpose.

"(2) After each 6 months of an individual's participation in a community work experience program under this subsection, and at the conclusion of each assignment of the individual under such program, the State agency must provide a reassessment and revision, as appropriate, of the individual's employability plan.

"(3) The State agency shall provide coordination among a community work experience program operated pursuant to this subsection, any program of job search under subsection (g), and the other em-

ployment-related activities under the program established by this section so as to insure that job placement will have priority over participation in the community work experience program, and that individuals eligible to participate in more than one such program are not denied aid to families with dependent children on the grounds of failure to participate in one such program if they are actively and satisfactorily participating in another. The State agency may provide that part-time participation in more than one such program may be required where appropriate.

"(4) In the case of any State that makes expenditures in the form described in paragraph (1) under its State plan approved under section 482(a)(1), expenditures for the operation and administration of the program under this section may not include, for purposes of section 403, the cost of making or acquiring materials or equipment in connection with the work performed under a program referred to in paragraph (1) or the cost of supervision of work under such program, and may include only such other costs attributable to such programs as are permitted by the Secretary.

"(g) **JOB SEARCH PROGRAM.**—(1) The State agency may establish and carry out a program of job search for individuals participating in the program under this part.

"(2) Notwithstanding section 402(a)(19)(B)(i)(I), the State agency may require job search by an individual applying for or receiving aid to families with dependent children (other than an individual described in section 402(a)(19)(C) who is not an individual with respect to whom section 402(a)(19)(D) applies)—

"(A) subject to the next to last sentence of this paragraph, beginning at the time such individual applies for aid to families with dependent children and continuing for a period (prescribed by the State) of not more than 8 weeks (but this requirement may not be used as a reason for any delay in making a determination of an individual's eligibility for such aid or in issuing a payment to or on behalf of any individual who is otherwise eligible for such aid); and

"(B) at such time or times after the close of the period prescribed under subparagraph (A) as the State agency may determine but not to exceed a total of 8 weeks in any period of 12 consecutive months.

In no event may an individual be required to participate in job search for more than 3 weeks before the State agency conducts the assessment and review with respect to such individual under subsection (b)(1)(A). Job search activities in addition to those required under the preceding provisions of this paragraph may be required only in combination with some other education, training, or employment activity which is designed to improve the individual's prospects for employment.

"(3) Job search by an individual under this subsection shall in no event be treated, for any purpose, as an activity under the program if the individual has participated in such job search for 4 months out of the preceding 12 months.

"(h) **DISPUTE RESOLUTION PROCEDURES.**—Each State shall establish a conciliation procedure for the resolution of disputes involving an individual's participation in the program and (if the dispute involved is not resolved through conciliation) shall provide an oppor-

tunity for a hearing with respect to the dispute, which hearing may be provided through a hearing process established for purposes of resolving disputes with respect to the program or through the provision of a hearing pursuant to section 402(a)(4); but in no event shall aid to families with dependent children be suspended, reduced, discontinued, or terminated as a result of a dispute involving an individual's participation in the program until such individual has an opportunity for a hearing that meets the standards set forth by the United States Supreme Court in *Goldberg v. Kelly*, 397 U.S. 254 (1970).

"(i) SPECIAL PROVISIONS RELATING TO INDIAN TRIBES.—(1) Within 6 months after the date of the enactment of the Family Support Act of 1988, an Indian tribe or Alaska Native organization may apply to the Secretary to conduct a job opportunities and basic skills training program to carry out the purpose of this subsection. If the Secretary approves such tribe's or organization's application, the maximum amount that may be paid to the State under section 403(l) in which such tribe or organization is located shall be reduced by the Secretary in accordance with paragraph (2) and an amount equal to the amount of such reduction shall be paid directly to such tribe or organization without the requirement of any nonfederal share) for the operation of such program. In determining whether to approve an application from an Alaska Native organization, the Secretary shall consider whether approval of the application would promote the efficient and nonduplicative administration of job opportunities and basic skills training programs in the State.

"(2) The amount of the reduction under paragraph (1) with respect to any State in which is located an Indian tribe or Alaska Native organization with an application approved under such paragraph shall be an amount equal to the amount that bears the same ratio to the maximum amount that could be paid under section 403(k) to the State as—

"(A) the number of adult members of such Indian tribe receiving aid to families with dependent children bears to the number of all such adult recipients in the State, or

"(B) the number of adult Alaska Natives receiving aid to families with dependent children who reside within the boundaries of such Alaska Native organization bears to the number of all such adult recipients in the State of Alaska.

"(3) The job opportunities and basic skills training program set forth in the application of an Indian tribe or Alaska Native organization under paragraph (1) need not meet any requirement of the program under this part or under section 402(a)(19) that the Secretary determines is inappropriate with respect to such job opportunities and basic skills training program.

"(4) The job opportunities and basic skills training program of any Indian tribe or Alaska Native organization may be terminated voluntarily by such tribe or Alaska Native organization or may be terminated by the Secretary upon a finding that the tribe or Alaska Native organization is not conducting such program in substantial conformity with the terms of the application approved by the Secretary, and the maximum amount that may be paid under section 403(k) to the State within which the tribe or Alaska Native organization is located (as reduced pursuant to paragraph (1)) shall be in-

creased by any portion of the amount retained by the Secretary with respect to such program (and not payable to such tribe or Alaska Native organization for obligations already incurred). The reduction under paragraph (1) shall in no event apply to a State for any fiscal year beginning after such program is terminated if no other such program remains in operation in the State.

"(5) For purposes of this subsection, an Indian tribe is any tribe, band, nation, or other organized group or community of Indians that—

"(A) is recognized as eligible for the special programs and services provided by the United States to Indians because of their status as Indians; and

"(B) for which a reservation (as defined in paragraph (6)) exists.

"(6) For purposes of this subsection, a reservation includes Indian reservations, public domain Indian allotments, and former Indian reservations in Oklahoma.

"(7) For purposes of this subsection—

"(A) an Alaska Native organization is any organized group of Alaska Natives eligible to operate a Federal program under Public Law 93-638 or such group's designee;

"(B) the boundaries of an Alaska Native organization shall be those of the geographical region, established pursuant to section 7(a) of the Alaska Native Claims Settlement Act, within which the Alaska Native organization is located (without regard to the ownership of the land within the boundaries);

"(C) the Secretary may approve only one application from an Alaska Native organization for each of the 12 geographical regions established pursuant to section 7(a) of the Alaska Native Claims Settlement Act; and

"(D) any Alaska Native, otherwise eligible or required to participate in a job opportunities and basic skills training program, residing within the boundaries of an Alaska Native organization whose application has been approved by the Secretary, shall be eligible to participate in the job opportunities and basic skills training program administered by such Alaska Native organization.

"(8) Nothing in this subsection shall be construed to grant or defer any status or powers other than those expressly granted in this subsection or to validate or invalidate any claim by Alaska Natives of sovereign authority over lands or people.

"COORDINATION REQUIREMENTS

"SEC. 483. (a)(1) The Governor of each State shall assure that program activities under this part are coordinated in that State with programs operated under the Job Training Partnership Act and with any other relevant employment, training, and education programs available in that State. Appropriate components of the State's plan developed under section 482(a)(1) which relate to job training and work preparation shall be consistent with the coordination criteria specified in the Governor's coordination and special services plan required under section 121 of the Job Training Partnership Act.

"(2) The State plan so developed shall be submitted to the State job training coordinating council not less than 60 days before its submission to the Secretary, for the purpose of review and comment by the council. Concurrent with submission of the plan to the State job training coordinating council, the proposed State plan shall be published and made reasonably available to the general public through local news facilities and public announcements, in order to provide the opportunity for review and comment.

"(3) The comments and recommendations of the State job training coordinating council under subparagraph (B) shall be transmitted to the Governor of the State.

"(b) The Secretary of Health and Human Services shall consult with the Secretaries of Education and Labor on a continuing basis for the purpose of assuring the maximum coordination of education and training services in the development and implementation of the program under this part.

"(c) The State agency responsible for administering or supervising the administration of the State plan approved under part A shall consult with the State education agency and the agency responsible for administering job training programs in the State in order to promote coordination of the planning and delivery of services under the program with programs operated under the Job Training Partnership Act and with education programs available in the State (including any program under the Adult Education Act or Carl D. Perkins Vocational Education Act).

"PROVISIONS GENERALLY APPLICABLE TO PROVISION OF SERVICES

"SEC. 484. (a) In assigning participants in the program under this part to any program activity, the State agency shall assure that—

"(1) each assignment takes into account the physical capacity, skills, experience, health and safety, family responsibilities, and place of residence of the participant;

"(2) no participant will be required, without his or her consent, to travel an unreasonable distance from his or her home or remain away from such home overnight;

"(3) individuals are not discriminated against on the basis of race, sex, national origin, religion, age, or handicapping condition, and all participants will have such rights as are available under any applicable Federal, State, or local law prohibiting discrimination;

"(4) the conditions of participation are reasonable, taking into account in each case the proficiency of the participant and the child care and other supportive services needs of the participant; and

"(5) each assignment is based on available resources, the participant's circumstances, and local employment opportunities.

"(b) Appropriate workers' compensation and tort claims protection must be provided to participants on the same basis as they are provided to other individuals in the State in similar employment (as determined under regulations of the Secretary).

"(c) No work assignment under the program shall result in—

"(1) the displacement of any currently employed worker or position (including partial displacement such as a reduction in

the hours of nonovertime work, wages, or employment benefits), or result in the impairment of existing contracts for services or collective bargaining agreements;

"(2) the employment or assignment of a participant or the filling of a position when (A) any other individual is on layoff from the same or any equivalent position, or (B) the employer has terminated the employment of any regular employee or otherwise reduced its workforce with the effect of filling the vacancy so created with a participant subsidized under the program; or

"(3) any infringement of the promotional opportunities of any currently employed individual.

Funds available to carry out the program under this part may not be used to assist, promote, or deter union organizing. No participant may be assigned under section 482(e) or (f) to fill any established unfilled position vacancy.

"(d)(1) The State shall establish and maintain (pursuant to regulations jointly issued by the Secretary and the Secretary of Labor) a grievance procedure for resolving complaints by regular employees or their representatives that the work assignment of an individual under the program violates any of the prohibitions described in subsection (b). A decision of the State under such procedure may be appealed to the Secretary of Labor for investigation and such action as such Secretary may find necessary.

"(2) The State shall hear complaints with respect to working conditions and workers' compensation, and wage rates in the case of individuals participating in community work experience programs described in section 482(f), under the State's fair hearing process. A decision of the State under such process may be appealed to the Secretary of Labor under such conditions as the joint regulations issued under subsection (e) may provide.

"(e) The provisions of this section apply to any work-related programs and activities under this part, and under any other work-related programs and activities authorized (in connection with the AFDC program) under section 1115.

"(f) The Secretary of Health and Human Services and the Secretary of Labor shall jointly prescribe and issue regulations for the purpose of implementing and carrying out the provisions of this section, in accordance with the timetable established in section 203(a) of the Family Support Act of 1988.

"CONTRACT AUTHORITY

"SEC. 485. (a) The State agency that administers or supervises the administration of the State's plan approved under section 402 shall carry out the programs under this part directly or through arrangements or under contracts with administrative entities under section 4(2) of the Job Training Partnership Act, with State and local educational agencies, and with other public agencies or private organizations (including community-based organizations as defined in section 4(5) of such Act).

"(b) Arrangements and contracts entered into under subsection (a) may cover any service or activity (including outreach) to be made

available under the program to the extent that the service or activity is not otherwise available on a nonreimbursable basis.

"(c) The State agency and private industry councils (as established under section 102 of the Job Training Partnership Act) shall consult on the development of arrangements and contracts under the program established under a plan approved under section 482(b)(1), and under programs established under such Act.

"(d) In selecting service providers, the State agency shall take into account appropriate factors which may include past performance in providing similar services, demonstrated effectiveness, fiscal accountability, ability to meet performance standards, and such other factors as the State may determine to be appropriate.

"(e) The State agency shall use the services of each private industry council to identify and provide advice on the types of jobs available or likely to become available in the service delivery area (as defined in the Job Training Partnership Act) of the council, and shall ensure that the State program provides training in any area for jobs of a type which are, or are likely to become, available in the area.

"INITIAL STATE EVALUATIONS

"SEC. 486. (a) With the objective of—

"(1) providing an in-depth assessment of potential participants in the program under this part in each State, so as to furnish an accurate picture on which to base estimates of future demands for services in conducting such program and to improve the efficiency of targeting under such program,

"(2) assuring that training for recipients of aid under such program will be realistically geared to labor market demands and that the program will produce individuals with marketable skills, while avoiding duplication and redundancy in the delivery of services, and

"(3) otherwise assuring that States will have the information needed to carry out the purposes of the program,

each State may undertake and carry out an evaluation of demographic characteristics of potential participants in the program under this part within the 12-month period beginning on the date of the enactment of the Family Support Act of 1988. Such evaluation shall be carried out in each State by the agency which administers the State's program approved under section 402.

"(b) In carrying out the evaluation under subsection (a) the State shall give particular attention to the current and anticipated demands of the labor market or markets within the State, the types of training which are needed to meet those demands, and any changes in the current service delivery systems which may be needed to satisfy the requirements of the program under this part.

"(c) The evaluation shall be structured so as to produce accurate and usable information on the age, family status, educational and literacy levels, duration of eligibility for aid to families with dependent children, and work experience of the individuals and families who are potential participants in the program under this part, including the actual numbers of such individuals and families in each such category.

"(d) The Secretary of Health and Human Services, in consultation with the Secretary of Labor, shall provide each State with such technical assistance and data as it may need in order to carry out its evaluation under subsection (a); and each State shall transmit its evaluation to the Secretary by the close of the 12-month period specified in such subsection. The Secretary of Health and Human Services shall take such evaluations into account in developing performance standards.

"(e) As used in this section, the term 'potential participants' with respect to any State's program under this part means collectively all individuals in such State who are recipients of aid to families with dependent children under part A and who are members of the target populations identified in section 403(l)(2)."

(c) **SEPARATE FUNDING FOR JOBS PROGRAM; FEDERAL FINANCIAL PARTICIPATION.**—(1) Section 403 of such Act is amended by adding at the end the following new subsection:

"(k)(1) Each State with a plan approved under part F shall be entitled to payments under subsection (l) for any fiscal year in an amount equal to the sum of the applicable percentages (specified in such subsection) of its expenditures to carry out the program under part F (subject to limitations prescribed by or pursuant to such part or this section on expenditures that may be included for purposes of determining payment under subsection (l)), but such payments for any fiscal year in the case of any State may not exceed the limitation determined under paragraph (2) with respect to the State.

"(2) The limitation determined under this paragraph with respect to a State for any fiscal year is—

"(A) the amount allotted to the State for fiscal year 1987 under part C of this title as then in effect, plus

"(B) the amount that bears the same ratio to the amount specified in paragraph (3) for such fiscal year as the average monthly number of adult recipients (as defined in paragraph (4)) in the State in the preceding fiscal year bears to the average monthly number of such recipients in all the States for such preceding year.

"(3) The amount specified in this paragraph is—

"(A) \$600,000,000 in the case of the fiscal year 1989,

"(B) \$800,000,000 in the case of the fiscal year 1990,

"(C) \$1,000,000,000 in the case of each of the fiscal years 1991, 1992, and 1993,

"(D) \$1,100,000,000 in the case of the fiscal year 1994,

"(E) \$1,300,000,000 in the case of the fiscal year 1995, and

"(F) \$1,000,000,000 in the case of the fiscal year 1996 and each succeeding fiscal year,

reduced by the aggregate amount allotted to all the States for fiscal year 1987 pursuant to part C of this title as then in effect.

"(4) For purposes of this subsection, the term 'adult recipient' in the case of any State means an individual other than a dependent child (unless such child is the custodial parent of another dependent child) whose needs are met (in whole or in part) with payments of aid to families with dependent children.

"(5) None of the funds available to a State for purposes of the programs or activities conducted under part F shall be used for construction."

(2) Section 403 of such Act (as amended by paragraph (1) of this subsection) is further amended by adding at the end the following new subsection:

"(1)(A) In lieu of any payment under subsection (a), the Secretary shall pay to each State with a plan approved under section 482(a) (subject to the limitation determined under section 482(i)(2)) with respect to expenditures by the State to carry out a program under part F (including expenditures for child care under section 402(g)(1)(A), but only in the case of a State with respect to which section 1108 applies), an amount equal to—

"(i) with respect to so much of such expenditures in a fiscal year as do not exceed the State's expenditures in the fiscal year 1987 with respect to which payments were made to such State from its allotment for such fiscal year pursuant to part C of this title as then in effect, 90 percent; and

"(ii) with respect to so much of such expenditures in a fiscal year as exceed the amount described in clause (i)—

"(I) 50 percent, in the case of expenditures for administrative costs made by a State in operating such a program for such fiscal year (other than the personnel costs for staff employed full-time in the operation of such program) and the costs of transportation and other work-related supportive services under section 402(g)(2), and

"(II) the greater of 60 percent or the Federal medical assistance percentage (as defined in section 1118 in the case of any State to which section 1108 applies, or as defined in section 1905(b) in the case of any other State), in the case of expenditures made by a State in operating such a program for such fiscal year (other than for costs described in subclause (I)).

"(B) With respect to the amount for which payment is made to a State under subparagraph (A)(i), the State's expenditures for the costs of operating a program established under part F may be in cash or in kind, fairly evaluated.

"(2)(A) Notwithstanding paragraph (1), the Secretary shall pay to a State an amount equal to 50 percent of the expenditures made by such State in operating its program established under part F (in lieu of any different percentage specified in paragraph (1)(A)) if less than 55 percent of such expenditures are made with respect to individuals who are described in subparagraph (B).

"(B) An individual is described in this paragraph if the individual—

"(i)(I) is receiving aid to families with dependent children, and

"(II) has received such aid for any 36 of the preceding 60 months;

"(ii)(I) makes application for aid to families with dependent children, and

"(II) has received such aid for any 36 of the 60 months immediately preceding the most recent month for which application has been made;

"(iii) is a custodial parent under the age of 24 who (I) has not completed a high school education and, at the time of application for aid to families with dependent children, is not enrolled

in high school (or a high school equivalency course of instruction), or (II) had little or no work experience in the preceding year; or

"(iv) is a member of a family in which the youngest child is within 2 years of being ineligible for aid to families with dependent children because of age.

"(C) This paragraph may be waived by the Secretary with respect to any State which demonstrates to the satisfaction of the Secretary that the characteristics of the caseload in that State make it infeasible to meet the requirements of this paragraph, and that the State is targeting other long-term or potential long-term recipients.

"(D) The Secretary shall biennially submit to the Congress any recommendations for modifications or additions to the groups of individuals described in subparagraph (B) that the Secretary determines would further the goal of assisting long-term or potential long-term recipients of aid to families with dependent children to achieve self-sufficiency, which recommendations shall take into account the particular characteristics of the populations of individual States.

"(3)(A) Notwithstanding paragraph (1), the Secretary shall pay to a State an amount equal to 50 percent of the expenditures made by such State in a fiscal year in operating its program established under part F (in lieu of any different percentage specified in paragraph (1)(A)) if the State's participation rate (determined under subparagraph (B)) for the preceding fiscal year does not exceed or equal—

"(i) 7 percent if the preceding fiscal year is 1990;

"(ii) 7 percent if such year is 1991;

"(iii) 11 percent if such year is 1992;

"(iv) 11 percent if such year is 1993;

"(v) 15 percent if such year is 1994; and

"(vi) 20 percent if such year is 1995.

"(B)(i) The State's participation rate for a fiscal year shall be the average of its participation rates for computation periods (as defined in clause (ii)) in such fiscal year.

"(ii) The computation periods shall be—

"(I) the fiscal year, in the case of fiscal year 1990,

"(II) the first six months, and the seventh through twelfth months, in the case of fiscal year 1991,

"(III) the first three months, the fourth through sixth months, the seventh through ninth months, and the tenth through twelfth months, in the case of fiscal years 1992 and 1993, and

"(IV) each month, in the case of fiscal years 1994 and 1995.

"(iii) The State's participation rate for a computation period shall be the number, expressed as a percentage, equal to—

"(I) the average monthly number of individuals required or allowed by the State to participate in the program under part F who have participated in such program in months in the computation period, plus the number of individuals required or allowed by the State to participate in such program who have so participated in that month in such period for which the number of such participants is the greatest, divided by

"(II) twice the average monthly number of individuals required to participate in such period (other than individuals described in subparagraph (C)(iii)(I) or (D) of section 402(a)(19) with respect to whom the State has exercised its option to require their participation).

For purposes of this subparagraph, an individual shall not be considered to have satisfactorily participated in the program under part F solely by reason of such individual being registered to participate in such program.

"(C) Notwithstanding any other provision of this paragraph, no State shall be subject to payment under this paragraph (in lieu of paragraph (1)(A)) for failing to meet any participation rate required under this paragraph with respect to any fiscal year before 1991.

"(D) For purposes of this paragraph, an individual shall be determined to have participated in the program under part F, if such individual has participated in accordance with such requirements, consistent with regulations of the Secretary, as the State shall establish.

"(E) If the Secretary determines that the State has failed to achieve the participation rate for any fiscal year specified in the numbered clauses of subparagraph (A), he may waive, in whole or in part, the reduction in the payment rate otherwise required by such subparagraph if he finds that—

"(i) the State is in conformity with section 402(a)(19);

"(ii) the State has made a good faith effort to achieve the applicable participation rate for such fiscal year; and

"(iii) the State has submitted a proposal which is likely to achieve the applicable participation rate for the current fiscal year and the subsequent fiscal years (if any) specified therein.

"(4)(A)(i) Subject to subparagraph (B), in the case of any family eligible for aid to families with dependent children by reason of the unemployment of the parent who is the principal earner, the State agency shall require that at least one parent in any such family participate, for a total of at least 16 hours a week during any period in which either parent is required to participate in the program, in a work supplementation program, a community work experience or other work experience program, on-the-job training, or a State designed work program approved by the Secretary, as such programs are described in section 482(d)(1). In the case of a parent under age 25 who has not completed high school or an equivalent course of education, the State may require such parent to participate in educational activities directed at the attainment of a high school diploma (or equivalent) in lieu of one or more of the programs specified in the preceding sentence.

"(ii) For purposes of clause (i), an individual participating in a community work experience program under section 482 shall be considered to have met the requirement of such clause if he participates for the number of hours in any month equal to the monthly payment of aid to families with dependent children to the family of which he is a member, divided by the greater of the Federal or the applicable State minimum wage (and the portion of such monthly payment for which the State is reimbursed by a child support collection shall not be taken into account in determining the number of hours that such individual may be required to work).

“(B) The requirement under subparagraph (A) shall not be considered to have been met by any State if the requirement is not met with respect to the following percentages of all families in the State eligible for aid to families with dependent children by reason of the unemployment of the parent who is the principal earner:

“(i) 40 percent, in the case of the average of each month in fiscal year 1994,

“(ii) 50 percent, in the case of the average of each month in fiscal year 1995,

“(iii) 60 percent, in the case of the average of each month in fiscal year 1996, and

“(iv) 75 percent in the case of the average of each month in fiscal year 1997 or 1998.

“(C) The percentage of participants for any month in a fiscal year for purposes of the preceding sentence shall equal the average of—

“(i) the number of individuals described in subparagraph (A)(i) who have met the requirement prescribed therein, divided by

“(ii) the total number of principal earners described in such subparagraph (but excluding those in families who have been recipients of aid for 2 months or less if, during the period that the family received aid, at least one parent engaged in intensive job search).

“(D) If the Secretary determines that the State has failed to meet the requirement under subparagraph (A) (determined with respect to the percentages prescribed in subparagraph (B)), he may waive, in whole or in part, any penalty if he finds that—

“(i) the State is operating a program in conformity with section 402(a)(19) and part F,

“(ii) the State has made a good faith effort to meet the requirement of subparagraph (A) but has been unable to do so because of economic conditions in the State (including significant numbers of recipients living in remote locations or isolated rural areas where the availability of work sites is severely limited, or because of rapid and substantial increases in the caseload than cannot reasonably be planned for, and

“(iii) the State has submitted a proposal which is likely to achieve the required percentage of participants for the subsequent fiscal years.”

(d) STATE EXPENDITURES TO CARRY OUT INITIAL EVALUATIONS.—Section 403(a)(3)(D) of such Act (as amended by section 202(a)(4) of this Act) is further amended by inserting “(including any amounts expended by the State to carry out initial evaluations under section 486(a))” after “such expenditures”.

SEC. 202. TECHNICAL AND CONFORMING AMENDMENTS.

(a) REPEAL OF PART C OF TITLE IV.—Part C of title IV of the Social Security Act is repealed.

(b) CHANGES IN PART A OF TITLE IV.—(1) Section 402(a)(8)(A)(iv) of such Act is amended by striking “(but excluding” and all that follows and inserting in lieu thereof a semicolon.

(2) Section 402(a)(9)(A) of such Act is amended—

(A) by inserting “(including activities under part F)” after “this part”; and

(B) by striking "B, C, or D" and inserting in lieu thereof "B or D".

(3) Section 402(a)(35) of such Act is repealed.

(4) Section 403(a)(3) of such Act is amended—

(A) by striking all of subparagraph (D) that follows "such expenditures" and inserting in lieu thereof "; and"; and

(B) in the matter immediately following subparagraph (D), by striking "services furnished" and all that follows through the semicolon and inserting in lieu thereof "services furnished pursuant to section 402(g);".

(5) Section 403(c) of such Act is repealed.

(6) Section 403(d) of such Act is repealed.

(7) Section 407(b)(2)(A) of such Act is amended by striking "will be certified" and all that follows through "within 30 days" and inserting in lieu thereof "will participate or apply for participation in a program under part F (unless the program is not available in the area where the parent is living) within 30 days".

(8) Section 407(b)(2)(C)(i) of such Act is amended—

(A) by striking "section 402(a)(19)(A)" and all that follows through "part C of this title," and inserting in lieu thereof "section 482(c)(2), is not currently participating (or available for participation) in a program under part F,";

(B) by striking "clause (iii)" and inserting in lieu thereof "clause (vii)"; and

(C) by striking "section 432(a)" and inserting in lieu thereof "part F".

(9) Section 407(c) of such Act is amended by striking "to certify such parent" and all that follows and inserting in lieu thereof "to undertake appropriate steps directed towards the participation of such parent in a program under part F".

(10) Section 407(d)(1) of such Act is amended by striking "participated" and all that follows and inserting in lieu thereof "participated in a program under part F".

(11) Section 407(e) of such Act is amended—

(A) by striking "registering pursuant to section 402(a)(19) for the work incentive program established by part C of this title" in clause (1) and inserting in lieu thereof "participating in a program under part F";

(B) by inserting "participate in or" before "register for"; and

(C) by striking "the work incentive program" in clause (2) and inserting in lieu thereof "part F".

(12) Section 409 of such Act is repealed.

(13) Section 414 of such Act is repealed.

(c) IN OTHER PROVISIONS.—(1) Section 471(a)(8)(A) of such Act is amended by striking "part A, B, C, or D of this title" and inserting in lieu thereof "part A, B, or D of this title (including activities under part F)".

(2) Section 1108(a) of such Act (42 U.S.C. 1308(a)) is amended by inserting "or, in the case of part A of title IV, section 403(k)" before "applies" in the matter preceding paragraph (1).

(3) Section 1108(b) of such Act (42 U.S.C. 1308(b)) is amended by striking "and services provided under section 402(a)(19)".

(4) Section 1902(a)(10)(A)(i)(I) of such Act (42 U.S.C. 1396a(a)(10)(A)(i)(I)) is amended by striking "414(g)" and inserting in lieu thereof "482(e)(6)".

(5) Section 1926(a)(1)(D) of such Act, as redesignated by section 303(a) of this Act, is amended by striking "414(g)" and inserting in lieu thereof "482(e)(6)".

SEC. 203. REGULATIONS; PERFORMANCE STANDARDS; STUDIES.

(a) **REGULATIONS.**—Not later than 6 months after the date of the enactment of this Act, the Secretary of Health and Human Services (in this section referred to as the "Secretary") shall issue proposed regulations for the purpose of implementing the amendments made by this title, including regulations establishing uniform data collection requirements. The Secretary shall publish final regulations for such purpose not later than one year after the date of the enactment of this Act. Regulations issued under this subsection shall be developed by the Secretary in consultation with the Secretary of Labor and with the responsible State agencies described in section 482(a)(2) of the Social Security Act.

(b) **PERFORMANCE STANDARDS.**—Part F of title IV of the Social Security Act (as added by section 201(b) of this Act) is amended by adding at the end the following new section:

"PERFORMANCE STANDARDS

"SEC. 487. (a) Not later than 3 years after the effective date specified in section 204(a) of the Family Support Act of 1988, the Secretary shall—

"(1) in consultation with the Secretary of Labor, representatives of organizations representing Governors, State and local program administrators, educators, State job training coordinating councils, community-based organizations, recipients, and other interested persons, develop performance standards with respect to the programs established pursuant to this part that are based, in part, on the results of the studies conducted under section 203(c) of such Act, and the initial State evaluations (if any) performed under section 486; and

"(2) submit his recommendations for performance standards developed under paragraph (1) to the appropriate committees of jurisdiction of the Congress, which recommendations shall be made with respect to specific measurements of outcomes and be based on the degree of success which may reasonably be expected of States in helping individuals to increase earnings, achieve self-sufficiency, and reduce welfare dependency, and shall not be measured solely by levels of activity or participation.

Performance standards developed under this subsection shall be reviewed periodically by the Secretary and modified to the extent necessary.

"(b) The Secretary may collect information from the States to assist in the development of performance standards under subsection (a), and shall include in his regulations (issued pursuant to section 203(a) of the Family Support Act of 1988 with respect to the program under this part) provisions establishing uniform reporting requirements under which States must furnish periodically information and data, including information and data (for each program

activity) on the average monthly number of families assisted, the types of such families, the amounts spent per family, the length of their participation, and such other matters as the Secretary may determine.

“(c) The Secretary shall develop and transmit to the Congress, for appropriate legislative action, a proposal for measuring State progress, providing technical assistance to enable States to meet performance standards, and modifying the Federal matching rate to reflect the relative effectiveness of the various States in carrying out the program.”

(c) **IMPLEMENTATION AND EFFECTIVENESS STUDIES.**—(1)(A) The Secretary shall conduct an implementation study in accordance with subparagraph (B).

(B) The implementation study conducted under subparagraph (A) shall be based on a representative sample of States and localities and shall document with respect to the programs established pursuant to part F of title IV the Social Security Act—

- (i) the types, mix, and costs of services offered,
- (ii) participation rates or activity levels,
- (iii) the characteristics of the individuals in the different type of activities,
- (iv) the provisions made for child and day care and the extent to which limitations exist with respect to the availability of such care,
- (v) the institutional arrangements and operating procedures under which activities are offered in the different locations, and
- (vi) such other factors as the Secretary deems appropriate.

(C) There is authorized to be appropriated \$500,000 for each of the fiscal years 1989, 1990, and 1991 for the purpose of conducting the implementation study under this paragraph.

(2)(A) The Secretary shall conduct a study in accordance with this paragraph to determine the relative effectiveness of the different approaches for assisting long-term and potentially long-term recipients developed by States pursuant to the programs established under part F of title IV of the Social Security Act.

(B)(i) The study required under subparagraph (A) shall be based on data gathered from demonstration projects conducted in 5 States chosen by the Secretary from among applications submitted by interested States. Such projects shall be conducted for a period of not less than 3 years upon such terms and conditions (including those involving payments to the participating States) as the Secretary may provide.

(ii) A demonstration project conducted under this subparagraph shall use specific outcome measures to test the effectiveness of particular programs. Such measures shall include educational status, employment status, earnings, receipt of aid to families with dependent children under a State plan approved under part A of title IV of the Social Security Act, receipt of other transfer payments, and, to the extent possible, the poverty status of participating families.

(iii) A demonstration project conducted under this subparagraph shall use experimental and control groups that are composed of a random sample of participants in the program established under

part F of title IV of the Social Security Act. The Secretary shall assure that the experimental design is comparable among localities.

(C) Participating States shall provide to the Secretary in such form and with such frequency as he requires interim data from the demonstration projects conducted under this paragraph. The Secretary shall report to the Congress annually on the progress of such projects and shall, not later than one year after the date of final data collection, submit to the Congress the study required under subparagraph (A).

(D) There is authorized to be appropriated \$5,000,000 for each of the fiscal years 1990 and 1991 for the purpose of making payments to States conducting demonstration projects under this section.

(3) The Secretary shall establish such uniform reporting requirements as the Secretary determines are appropriate for the purpose of conducting the demonstration projects required under this section.

(4) Within 3 months after the date of the enactment of this Act, the Secretary of Health and Human Services shall convene an advisory panel which may include representatives from the Office of Management and Budget, the Congressional Budget Office, the Congressional Research Service, and the General Accounting Office, and such other individuals and organizations as the Secretary may determine. The panel shall meet periodically to design, implement, and monitor a series of implementation and evaluation studies to assess the methods and effects of the programs initiated under this Act. Insofar as possible, the panel shall work in a collegial fashion; but if consensus cannot be reached among panel members on particular decisions the Secretary of Health and Human Services is authorized to make all final decisions about program design, use of contractors, conduct of particular studies, and any other matters which may come before the panel.

(d) **STUDY ON APPLICATION OF JOBS PROGRAMS TO INDIANS.**—The Secretary of Health and Human Services, in cooperation with the Secretary of the Interior, shall conduct a study of—

(1) the effectiveness of such employment, training, and education programs for low-income individuals as are specifically directed toward Indians in responding to the needs of Indians on reservations;

(2) the effectiveness of such programs as are not specifically directed toward Indians in responding to such needs;

(3) the extent to which such needs are not met by such programs;

(4) how such programs could be better coordinated in responding to such needs;

(5) how such programs could be improved or restructured to more effectively meet such needs;

(6) what sustainable job markets exist in Indian communities (assessed by tribe and region); and

(7) the availability of such support services (as transportation and child care) as are necessary to assist Indians on reservations in participating in such programs and obtaining permanent employment.

The Secretary of Health and Human Services and the Secretary of the Interior shall report to the Congress on the results of the study

under this subsection not later than October 1, 1989 (or, if later, one year after the date of the enactment of this Act).

SEC. 204. EFFECTIVE DATE.

(a) **IN GENERAL.**—Except as provided in subsection (b), the amendments made by this title shall become effective on October 1, 1990.

(b) **SPECIAL RULES.**—(1)(A) If any State makes the changes in its State plan approved under section 402 of the Social Security Act that are required in order to carry out the amendments made by this title and formally notifies the Secretary of Health and Human Services of its desire to become subject to such amendments as of the first day of any calendar quarter beginning on or after the date on which the proposed regulations of the Secretary of Health and Human Services are published under section 203(a) (or, if earlier, the date on which such regulations are required to be published under such section) and before October 1, 1990, such amendments shall become effective with respect to that State as of such first day.

(B) In the case of any State in which the amendments made by this title become effective (in accordance with subparagraph (A)) with respect to any quarter of a fiscal year beginning before October 1, 1990, the limitation applicable to the State for the fiscal year under section 403(k)(2) of the Social Security Act (as added by section 201(c)(1) of this Act) shall be an amount that bears the same ratio to such limitation (as otherwise determined with respect to the State for the fiscal year) as the number of quarters in the fiscal year throughout which such amendments apply to the State bears to 4.

(2) Section 403(l)(3) of the Social Security Act (as added by section 201(c)(2) of this Act) is repealed effective October 1, 1995; and section 403(l)(4) of such Act (as so added) is repealed effective October 1, 1998.

TITLE III—SUPPORTIVE SERVICES FOR FAMILIES

SEC. 301. CHILD CARE DURING PARTICIPATION IN EMPLOYMENT, EDUCATION, AND TRAINING.

Section 402 of the Social Security Act is amended by adding at the end the following new subsection:

“(g)(1)(A) Each State agency must guarantee child care in accordance with subparagraph (B)—

“(i) for each family with a dependent child requiring such care, to the extent that such care is determined by the State agency to be necessary for an individual in the family to accept employment or remain employed; and

“(ii) for each individual participating in an education and training activity (including participation in a program that meets the requirements of subsection (a)(19) and part F) if the State agency approves the activity and determines that the individual is satisfactorily participating in the activity.

“(B) The State agency may guarantee child care by—

“(i) providing such care directly;

“(ii) arranging the care through providers by use of purchase of service contracts, or vouchers;

"(iii) providing cash or vouchers in advance to the caretaker relative in the family;

"(iv) reimbursing the caretaker relative in the family; or

"(v) adopting such other arrangements as the agency deems appropriate.

When the State agency arranges for child care, the agency shall take into account the individual needs of the child.

"(C)(i) Subject to clause (ii), the State agency shall reimburse the cost of child care provided with respect to a family in an amount that is the lesser of—

"(I) the actual cost of such care; and

"(II) the dollar amount of the child care disregard for which the family is otherwise eligible under section 402(a)(8)(A)(iii).

"(ii) The State agency may not reimburse the cost of child care provided with respect to a family in an amount that is greater than the applicable local market rate (as determined by the State in accordance with regulations issued by the Secretary).

"(D) The State may not make any change in its method of reimbursing child care costs which has the effect of disadvantaging families receiving aid under the State plan on the date of the enactment of this section, by reducing their income or otherwise.

"(E) The value of any child care provided or arranged (or any amount received as payment for such care or reimbursement for costs incurred for the care) under this paragraph—

"(i) shall not be treated as income for purposes of any other Federal or federally-assisted program that bases eligibility for or the amount of benefits upon need, and

"(ii) may not be claimed as an employment-related expense for purposes of the credit under section 21 of the Internal Revenue Code of 1986.

"(2) In the case of any individual participating in the program under part F, each State agency (in addition to guaranteeing child care under paragraph (1)) shall provide payment or reimbursement for such transportation and other work-related expenses (including other work-related supportive services), as the State determines are necessary to enable such individual to participate in such program.

"(3)(A) In the case of amounts expended for child care pursuant to paragraph (1)(A) by any State to which section 1108 does not apply, the applicable rate for purposes of section 403(a) shall be the Federal medical assistance percentage (as defined in section 1905(b)).

"(B) In the case of any amounts expended by the State agency for child care under this subsection, only such amounts as are within such limits as the State may prescribe (subject to the limitations of paragraph (1)(C)) shall be treated as amounts for which payment may be made to a State under this part and they may be so treated only to the extent that—

"(i) such amounts do not exceed the applicable local market rate (as determined by the State in accordance with regulations issued by the Secretary);

"(ii) the child care involved meets applicable standards of State and local law; and

"(iii) in the case of day care, the entity providing such care allows parental access.

"(4) The State must establish procedures to ensure that center-based child care will be subject to State and local requirements designed to ensure basic health and safety, including fire safety, protections. The State must also endeavor to develop guidelines for family day care. The State must provide the Secretary with a description of such State and local requirements and guidelines.

"(5) By October 1, 1992, the Secretary shall report to the Congress on the nature and content of State and local standards for health and safety.

"(6)(A) The Secretary shall make grants to States to improve their child care licensing and registration requirements and procedures, and to monitor child care provided to children receiving aid under the State plan approved under subsection (a).

"(B) Subject to subparagraph (C), the Secretary shall make grants to each State under subparagraph (A) in proportion to the number of children in the State receiving aid under the State plan approved under subsection (a).

"(C) The Secretary may not make grants to a State under subparagraph (A) unless the State provides matching funds in an amount that is not less than 10 percent of the amount of the grant.

"(D) For grants under this paragraph, there is authorized to be appropriated to the Secretary \$13,000,000,000 for each of the fiscal years 1990 and 1991.

"(7) Activities under this subsection shall be coordinated in each State with existing early childhood education programs in that State, including Head Start programs, preschool programs funded under chapter 1 of the Education Consolidation and Improvement Act of 1981, and school and nonprofit child care programs (including community-based organizations receiving funds designated for preschool programs for handicapped children)."

SEC. 302. EXTENDED ELIGIBILITY FOR CHILD CARE.

(a) IN GENERAL.—Section 402(g)(1)(A) of the Social Security Act (as added by section 301 of this Act) is amended—

(1) by inserting "(i)" after "(A)";

(2) by redesignating clauses (i) and (ii) as subclauses (I) and (II), respectively; and

(3) by adding at the end the following new clause:

"(ii) Each State agency must guarantee child care, subject to the limitations described in this section and section 417, to the extent that such care is determined by the State agency to be necessary for an individual's employment in any case where a family has ceased to receive aid to families with dependent children as a result of increased hours of, or increased income from, such employment or by reason of subsection (a)(8)(B)(ii)(II)."

(b) PAYMENT.—(1) Section 402(g)(3)(A) of such Act (as added by section 301 of this Act) is amended—

(A) by inserting "(i)" after "(A)"; and

(B) by adding at the end the following new clause:

"(ii) In the case of amounts expended for child care pursuant to paragraph (1)(A)(ii) (relating to the provision of child care for certain families which cease to receive aid under this part) by any State to which section 1108 applies, the applicable rate for purposes

of section 403(a) shall be the Federal medical assistance percentage (as defined in section 1118).".

(2) Section 403(l)(1)(A) of such Act (as added by section 201(c)(2) of this Act) is amended by striking "402(g)(1)(A)" in the matter preceding clause (i) and inserting in lieu thereof "402(g)(1)(A)(i)".

(c) LIMITATIONS ON CONTINUED ELIGIBILITY.—Part A of title IV of the Social Security Act is amended by adding at the end the following new section:

**"LIMITATION ON CHILD CARE FOR FAMILIES AFTER LOSS OF
ELIGIBILITY**

"SEC. 417. A family shall only be eligible for child care provided under section 402(g)(1)(A)(i) for a period of 12 months after the last month for which the family received aid to families with dependent children under a State program approved under this part, and shall be entitled to reimbursement of such care under a sliding scale formula which shall be established by the State agency based on the family's ability to pay."

(d) STUDY OF WELFARE REQUALIFICATION; REGULATIONS BASED ON RESULTS OF STUDY.—The Secretary of Health and Human Services shall conduct a study to determine whether individuals who ceased receiving aid under the State program of aid to families with dependent children approved under this part have begun again to receive such aid in order to requalify for additional months of transition benefits, and if the study reveals that such is the case, the Secretary shall, not earlier than October 1, 1991, issue regulations which restrict such requalification.

(e) STUDY ON EFFECTS OF EXTENDING ELIGIBILITY FOR CHILD CARE.—The Secretary of Health and Human Services shall conduct a study on the effectiveness of the amendments made by this section in reducing welfare dependence and assisting families in making the transition from welfare to employment, and such other effects of such amendments as the Secretary may find appropriate, and shall report the results of such study not later than January 1, 1993.

SEC. 303. EXTENDED ELIGIBILITY FOR MEDICAL ASSISTANCE.

(a) IN GENERAL.—Title XIX of the Social Security Act, as amended by section 303(a)(1) of the Medicare Catastrophic Coverage Act of 1988, is amended by redesignating section 1925 as section 1926 and by inserting after section 1924 the following new section:

"EXTENSION OF ELIGIBILITY FOR MEDICAL ASSISTANCE

"SEC. 1925. (a) INITIAL 6-MONTH EXTENSION.—

"(1) REQUIREMENT.—Notwithstanding any other provision of this title, each State plan approved under this title must provide that each family which was receiving aid pursuant to a plan of the State approved under part A of title IV in at least 3 of the 6 months immediately preceding the month in which such family becomes ineligible for such aid, because of hours of, or income from employment of the caretaker relative (as defined in subsection (e)), shall, subject to paragraph (3) and without any reapplication for benefits under the plan, remain eligible for assistance under the plan approved under this title during

the immediately succeeding 6-month period in accordance with this subsection.

"(2) **NOTICE OF BENEFITS.**—Each State, in the notice of termination of aid under part A of title IV sent to a family meeting the requirements of paragraph (1)—

"(A) shall notify the family of its right to extended medical assistance under this subsection and include in the notice a description of the reporting requirement of subsection (b)(2)(A)(i) and of the circumstances (described in paragraph (3)) under which such extension may be terminated; and

"(B) shall include a card or other evidence of the family's entitlement to assistance under this title for the period provided in this subsection.

"(3) **TERMINATION OF EXTENSION.**—

"(A) **NO DEPENDENT CHILD.**—Subject to subparagraphs (B) and (C), extension of assistance during the 6-month period described in paragraph (1) to a family shall terminate (during such period) at the close of the first month in which the family ceases to include a child who is (or would if needy be) a dependent child under part A of title IV.

"(B) **NOTICE BEFORE TERMINATION.**—No termination of assistance shall become effective under subparagraph (A) until the State has provided the family with notice of the grounds for the termination.

"(C) **CONTINUATION IN CERTAIN CASES UNTIL REDETERMINATION.**—With respect to a child who would cease to receive medical assistance because of subparagraph (A) but who may be eligible for assistance under the State plan because the child is described in clause (i) or (v) of section 1905(a), the State may not discontinue such assistance under such subparagraph until the State has determined that the child is not eligible for assistance under the plan.

"(4) **SCOPE OF COVERAGE.**—

"(A) **IN GENERAL.**—Subject to subparagraph (B), during the 6-month extension period under this subsection, the amount, duration, and scope of medical assistance made available with respect to a family shall be the same as if the family were still receiving aid under the plan approved under part A of title IV.

"(B) **STATE MEDICAID 'WRAP-AROUND' OPTION.**—A State, at its option, may pay a family's expenses for premiums, deductibles, coinsurance, or similar costs for health insurance or other health coverage offered by an employer of the caretaker relative or by an employer of the absent parent of a dependent child. In the case of such coverage offered by an employer of the caretaker relative—

"(i) the State may require the caretaker relative, as a condition of extension of coverage under this subsection, to make application for such employer coverage, but only if—

"(I) the caretaker relative is not required to make financial contributions for such coverage (whether through payroll deduction, payment of

deductibles, coinsurance, or similar costs, or otherwise), and

"(II) the State provides, directly or otherwise, for payment of any of the premium amount, deductible, coinsurance, or similar expense that the employee is otherwise required to pay; and

"(ii) the State shall treat the coverage under such an employer plan as a third party liability (under section 1902(a)(25)).

Payments for premiums, deductibles, coinsurance, and similar expenses under this subparagraph shall be considered, for purposes of section 1903(a), to be payments for medical assistance.

"(b) ADDITIONAL 6-MONTH EXTENSION.—

"(1) **REQUIREMENT.**—Notwithstanding any other provision of this title, each State plan approved under this title shall provide that the State shall offer to each family, which has received assistance during the entire 6-month period under subsection (a) and which meets the requirement of paragraph (2)(B), in the last month of the period the option of extending coverage under this subsection for the succeeding 6-month period, subject to paragraph (3).

"(2) NOTICE AND REPORTING REQUIREMENTS.—

"(A) NOTICES.—

"(i) **NOTICE DURING INITIAL EXTENSION PERIOD OF OPTION AND REQUIREMENTS.**—Each State, during the 3rd and 6th month of any extended assistance furnished to a family under subsection (a), shall notify the family of the family's option for additional extended assistance under this subsection. Each such notice shall include (i) in the 3rd month notice, a statement of the reporting requirement under subparagraph (B)(i), and, in the 6th month notice, a statement of the reporting requirement under subparagraph (B)(ii), (ii) a statement as to whether any premiums are required for such additional extended assistance, and (iii) a description of other out-of-pocket expenses, benefits, reporting and payment procedures, and any pre-existing condition limitations, waiting periods, or other coverage limitations imposed under any alternative coverage options offered under paragraph (4)(D). The 6th month notice under this subparagraph shall describe the amount of any premium required of a particular family for each of the first 3 months of additional extended assistance under this subsection.

"(ii) **NOTICE DURING ADDITIONAL EXTENSION PERIOD OF REPORTING REQUIREMENTS AND PREMIUMS.**—Each State, during the 3rd month of any additional extended assistance furnished to a family under this subsection, shall notify the family of the reporting requirement under subparagraph (B)(ii) and a statement of the amount of any premiums to be required for such extended assistance for the succeeding 3 months.

"(B) REPORTING REQUIREMENTS.—

"(i) **DURING INITIAL EXTENSION PERIOD.**—Each State shall require (as a condition for additional extended assist-

ance under this subsection) that a family receiving extended assistance under subsection (a) report to the State, not later than the 21st day of the 4th month in the period of extended assistance under subsection (a), on the family's gross monthly earnings and on the family's costs for such child care as is necessary for the employment of the caretaker relative in each of the first 3 months of that period.

"(ii) **DURING ADDITIONAL EXTENSION PERIOD.**—Each State shall require that a family receiving extended assistance under subsection (a) report to the State, not later than the 21st day of the 1st month and of the 4th month in the period of additional extended assistance under this subsection, on the family's gross monthly earnings and on the family's costs for such child care as is necessary for the employment of the caretaker relative in each of the 3 preceding months.

"(3) **TERMINATION OF EXTENSION.**—

"(A) **IN GENERAL.**—Subject to subparagraphs (B) and (C), extension of assistance during the 6-month period described in paragraph (1) to a family shall terminate (during the period) as follows:

"(i) **NO DEPENDENT CHILD.**—The extension shall terminate at the close of the first month in which the family ceases to include a child who is (or would if needy be) a dependent child under part A of title IV.

"(ii) **FAILURE TO PAY ANY PREMIUM.**—If the family fails to pay any premium for a month under paragraph (5) by the 21st day of the following month, the extension shall terminate at the close of that following month, unless the individual has established, to the satisfaction of the State, good cause for the failure to pay such premium on a timely basis.

"(iii) **QUARTERLY INCOME REPORTING AND TEST.**—The extension under this subsection shall terminate at the close of the 1st or 4th month of the 6-month period if—

"(I) the family fails to report to the State, by the 21st day of such month, the information required under paragraph (2)(B), unless the family has established, to the satisfaction of the State, good cause for the failure to report on a timely basis;

"(II) the caretaker relative had no earnings in one or more of the previous 3 months, unless such lack of any earnings was due to an involuntary loss of employment, illness, or other good cause, established to the satisfaction of the State; or

"(III) the State determines that the family's average gross monthly earnings (less such costs for such child care as is necessary for the employment of the caretaker relative) during the immediately preceding 3-month period exceeds 185 percent of the official poverty line (as defined by the Office of Management and Budget, and revised annually in accordance with section 673(2) of the Omnibus

Budget Reconciliation Act of 1981) applicable to a family of the size involved.

Information described in clause (iii)(I) shall be subject to the restrictions on use and disclosure of information provided under section 402(a)(9). Instead of terminating a family's extension under clause (iii)(I), a State, at its option, may provide for suspension of the extension until the month after the month in which the family reports information required under paragraph (2)(B), but only if the family's extension has not otherwise been terminated under subclause (II) or (III) of clause (iii). The State shall make determinations under clause (iii)(III) for a family each time a report under paragraph (2)(B) for the family is received.

“(B) NOTICE BEFORE TERMINATION.—No termination of assistance shall become effective under subparagraph (A) until the State has provided the family with notice of the grounds for the termination, which notice shall include (in the case of termination under subparagraph (A)(iii)(II), relating to no continued earnings) a description of how the family may reestablish eligibility for medical assistance under the State plan.

“(C) CONTINUATION IN CERTAIN CASES UNTIL REDETERMINATION.—

“(i) DEPENDENT CHILDREN.—With respect to a child who would cease to receive medical assistance because of subparagraph (A)(i) but who may be eligible for assistance under the State plan because the child is described in clause (i) or (v) of section 1905(a), the State may not discontinue such assistance under such subparagraph until the State has determined that the child is not eligible for assistance under the plan.

“(ii) MEDICALLY NEEDY.—With respect to an individual who would cease to receive medical assistance because of clause (ii) or (iii) of subparagraph (A) but who may be eligible for assistance under the State plan because the individual is within a category of person for which medical assistance under the State plan is available under section 1902(a)(10)(C) (relating to medically needy individuals), the State may not discontinue such assistance under such subparagraph until the State has determined that the individual is not eligible for assistance under the plan.

“(4) COVERAGE.—

“(A) IN GENERAL.—During the extension period under this subsection—

“(i) the State plan shall offer to each family medical assistance which (subject to subparagraphs (B) and (C)) is the same amount, duration, and scope as would be made available to the family if it were still receiving aid under the plan approved under part A of title IV; and

“(ii) the State plan may offer alternative coverage described in subparagraph (D).

"(B) ELIMINATION OF MOST NON-ACUTE CARE BENEFITS.—At a State's option and notwithstanding any other provision of this title, a State may choose not to provide medical assistance under this subsection with respect to any (or all) of the items and services described in paragraphs (4)(A), (6), (7), (8), (11), (13), (14), (15), (16), (18), (20), and (21) of section 1905(a).

"(C) STATE MEDICAID 'WRAP-AROUND' OPTION.—At a State's option, the State may elect to apply the option described in subsection (a)(4)(B) (relating to 'wrap-around' coverage) for families electing medical assistance under this subsection in the same manner as such option applies to families provided extended eligibility for medical assistance under subsection (a).

"(D) ALTERNATIVE ASSISTANCE.—At a State's option, the State may offer families a choice of health care coverage under one or more of the following, instead of the medical assistance otherwise made available under this subsection:

"(i) ENROLLMENT IN FAMILY OPTION OF EMPLOYER PLAN.—Enrollment of the caretaker relative and dependent children in a family option of the group health plan offered to the caretaker relative.

"(ii) ENROLLMENT IN FAMILY OPTION OF STATE EMPLOYEE PLAN.—Enrollment of the caretaker relative and dependent children in a family option within the options of the group health plan or plans offered by the State to State employees.

"(iii) ENROLLMENT IN STATE UNINSURED PLAN.—Enrollment of the caretaker relative and dependent children in a basic State health plan offered by the State to individuals in the State (or areas of the State) otherwise unable to obtain health insurance coverage.

"(iv) ENROLLMENT IN HMO.—Enrollment of the caretaker relative and dependent children in a health maintenance organization (as defined in section 1903(m)(1)(A)) less than 50 percent of the membership (enrolled on a prepaid basis) of which consists of individuals who are eligible to receive benefits under this title (other than because of the option offered under this clause). The option of enrollment under this clause is in addition to, and not in lieu of, any enrollment option that the State might offer under subparagraph (A)(i) with respect to receiving services through a health maintenance organization in accordance with section 1903(m).

If a State elects to offer an option to enroll a family under this subparagraph, the State shall pay any premiums and other costs for such enrollment imposed on the family and may pay deductibles and coinsurance imposed on the family. A State's payment of premiums for the enrollment of families under this subparagraph (not including any premiums otherwise payable by an employer and less the amount of premiums collected from such families under paragraph (5)) and payment of any deductibles and coinsur-

ance shall be considered, for purposes of section 1903(a)(1), to be payments for medical assistance.

"(E) PROHIBITION ON COST-SHARING FOR MATERNITY AND PREVENTIVE PEDIATRIC CARE.—

"(i) IN GENERAL.—If a State offers any alternative option under subparagraph (D) for families, under each such option the State must assure that care described in clause (ii) is available without charge to the families through—

"(I) payment of any deductibles, coinsurance, or other cost-sharing respecting such care, or

"(II) providing coverage under the State plan for such care without any cost-sharing, or any combination of such mechanisms.

"(ii) CARE DESCRIBED.—The care described in this clause consists of—

"(I) services related to pregnancy (including prenatal, delivery, and post partum services), and

"(II) ambulatory preventive pediatric care (including ambulatory early and periodic screening, diagnosis, and treatment services under section 1905(a)(4)(B)) for each child who meets the age and date of birth requirements to be a qualified child under section 1905(n)(2).

"(5) PREMIUM.—

"(A) PERMITTED.—Notwithstanding any other provision of this title (including section 1916), a State may impose a premium for a family for additional extended coverage under this subsection for a premium payment period (as defined in subparagraph (D)(i)), but only if the family's average gross monthly earnings (less the average monthly costs for such child care as is necessary for the employment of the caretaker relative) for the premium base period exceeds 100 percent of the official poverty line (as defined by the Office of Management and Budget, and revised annually in accordance with section 673(2) of the Omnibus Budget Reconciliation Act of 1981) applicable to a family of the size involved.

"(B) LEVEL MAY VARY BY OPTION OFFERED.—The level of such premium may vary, for the same family, for each option offered by a State under paragraph (4)(D).

"(C) LIMIT ON PREMIUM.—In no case may the amount of any premium under this paragraph for a family for a month in either of the premium payment periods described in subparagraph (D)(i) exceed 3 percent of the family's average gross monthly earnings during the premium base period (as defined in subparagraph (D)(ii)).

"(D) DEFINITIONS.—In this paragraph:

"(i) A 'premium payment period' described in this clause is a 3-month period beginning with the 1st or 4th month of the 6-month additional extension period provided under this subsection.

"(ii) The term 'premium base period' means, with respect to a particular premium payment period, the

period of 3 consecutive months the last of which is 4 months before the beginning of that premium payment period.

“(c) APPLICABILITY IN STATES AND TERRITORIES.—

“(1) STATES OPERATING UNDER DEMONSTRATION PROJECTS.—In the case of any State which is providing medical assistance to its residents under a waiver granted under section 1115(a), the Secretary shall require the State to meet the requirements of this section in the same manner as the State would be required to meet such requirement if the State had in effect a plan approved under this title.

“(2) INAPPLICABILITY IN COMMONWEALTHS AND TERRITORIES.—The provisions of this section shall only apply to the 50 States and the District of Columbia.

“(d) GENERAL DISQUALIFICATION FOR FRAUD.—

“(1) INELIGIBILITY FOR AID.—This section shall not apply to an individual who is a member of a family which has received aid under part A of title IV if the State makes a finding that, at any time during the last 6 months in which the family was receiving such aid before otherwise being provided extended eligibility under this section, the individual was ineligible for such aid because of fraud.

“(2) GENERAL DISQUALIFICATIONS.—For additional provisions relating to fraud and program abuse, see sections 1128, 1128A, and 1128B.

“(e) CARETAKER RELATIVE DEFINED.—In this section, the term ‘caretaker relative’ has the meaning of such term as used in part A of title IV.

“(f) SUNSET.—This section shall not apply with respect to families that cease to be eligible for aid under part A of title IV of the Social Security Act after September 30, 1998.”

(b) CONFORMING AMENDMENTS.—(1) Section 1902(e)(1) of such Act (42 U.S.C. 1396a(e)(1)) is amended—

(A) by inserting “subject to subparagraph (B)” after “January 1, 1974,”

(B) by inserting “(A)” after “(e)(1)”, and

(C) by adding at the end the following new subparagraph:

“(B) Subparagraph (A) shall not apply with respect to families that cease to be eligible for aid under part A of title IV of the Social Security Act during the period beginning on April 1, 1990, and ending on September 30, 1998. During such period, for provisions relating to extension of eligibility for medical assistance for certain families who have received aid pursuant to a State plan approved under part A of title IV and have earned income, see section 1925.”

(2) Section 1905(a) of such Act (42 U.S.C. 1396d(a)) is amended by striking “or” at the end of clause (vii), by inserting “or” at the end of clause (viii), and by inserting after clause (viii) the following new clause:

“(ix) individuals provided extended benefits under section 1925,”

(3) Paragraph (37) of section 402(a) of such Act (42 U.S.C. 602(a)) is repealed.

(c) STUDY AND REPORT.—(1) The Secretary of Health and Human Services shall conduct a study of the impact of the medicaid exten-

sion provisions under section 1925 of the Social Security Act, with particular focus on the costs of such provisions and the impact on welfare dependency, and shall report to Congress on the results of such study not later than April 1, 1993.

(2) The study under paragraph (1) shall include an examination of—

(A) the extent to which the availability of extended medicaid benefits affects access to and use of medical services,

(B) the relative effectiveness of different types of coverage provided by States,

(C) the effect of requiring families to pay premiums or incur any other expenses with respect to such extended benefits, and

(D) whether individuals who have exhausted such benefits re-cycle onto welfare for short periods of time in order to requalify for such extended benefits.

(d) CONFORMING AMENDMENT TO SECTION 403 AMENDMENTS.—Section 1902(e) of the Social Security Act (42 U.S.C. 1396a(e)) is amended by adding at the end the following new paragraph:

“(10)(A) The fact that an individual, child, or pregnant woman may be denied aid under part A of title IV pursuant to section 402(a)(43) shall not be construed as denying (or permitting a State to deny) medical assistance under this title to such individual, child, or woman who is eligible for assistance under this title on a basis other than the receipt of aid under such part.

“(B) If an individual, child, or pregnant woman is receiving aid under part A of title IV and such aid is terminated pursuant to section 402(a)(43), the State may not discontinue medical assistance under this title for the individual, child, or woman until the State has determined that the individual, child, or woman is not eligible for assistance under this title on a basis other than the receipt of aid under such part.”

(e) 1-YEAR EXTENSION OF MEDICAID ELIGIBILITY EXTENSION DUE TO COLLECTION OF CHILD OR SPOUSAL SUPPORT.—Section 20(b) of the Child Support Amendments of 1984 (Public Law 98-378) is amended by striking “October 1, 1988” and inserting “October 1, 1989”.

(f) EFFECTIVE DATE.—(1) The amendments made by this section (other than subsections (b)(3), (d), and (e)) shall apply to payments under title XIX of the Social Security Act for calendar quarters beginning on or after April 1, 1990 (or, in the case of the Commonwealth of Kentucky, October 1, 1990) (without regard to whether regulations to implement such amendments are promulgated by such date), with respect to families that cease to be eligible for aid under part A of title IV of the Social Security Act on or after such date.

(2) The amendment made by subsection (b)(3) shall take effect on April 1, 1990.

(3) The amendment made by subsection (d) shall become effective on the effective date of section 402(a)(43) of the Social Security Act, as inserted by section 403(a) of this Act.

(4) The amendment made by subsection (e) shall take effect on October 1, 1988.

SEC. 304. EFFECTIVE DATES.

(a) **CHILD CARE FOR PARTICIPANTS IN EMPLOYMENT, EDUCATION, AND TRAINING.**—The amendment made by section 301 shall become effective with respect to a State on the date the amendments made by title II become effective with respect to the State.

(b) **TRANSITIONAL CHILD CARE.**—(1) The amendments made by section 302 shall become effective on April 1, 1990.

(2) Effective September 30, 1998, the amendments made by section 302 are repealed.

TITLE IV—RELATED AFDC AMENDMENTS**SEC. 401. BENEFITS FOR TWO-PARENT FAMILIES.**

(a) **MANDATORY EXPANSION OF COVERAGE.**—(1) Section 402(a) of the Social Security Act (as amended by section 201(a) of this Act) is amended—

(A) by striking “and” after the semicolon at the end of paragraph (39);

(B) by striking the period at the end of paragraph (40) and inserting in lieu thereof “; and”; and

(C) by inserting immediately after paragraph (40) the following new paragraph:

“(41) provide that aid to families with dependent children will be provided under the plan with respect to dependent children of unemployed parents in accordance with section 407.”

(2)(A) Section 402(a)(38)(B) of such Act is amended by striking “(if such section is applicable to the State)”.

(B) Section 407(b) of such Act is amended by striking “(b) The provisions” and all that follows through “(1) requires” and inserting in lieu thereof the following:

“(b) In providing for the provision of aid to families with dependent children under the State’s plan approved under section 402, in the case of families that include dependent children within the meaning of subsection (a) of this section, as required by section 402(a)(41), the State’s plan—

“(1) shall require”.

(C) Section 407(b)(2) of such Act is amended by striking “provides—” and inserting in lieu thereof “shall provide—”.

(b) **STATE FLEXIBILITY IN STRUCTURING TWO-PARENT FAMILY PROGRAM.**—(1) Section 407(b) of such Act (as amended by subsection (a) of this section) is amended—

(A)(i) by inserting “(1)” after “(b)”;

(ii) by redesignating paragraphs (1) and (2) as subparagraphs (A) and (B), respectively;

(iii) by redesignating subparagraphs (A), (B), and (C) of such paragraph (1) as clauses (i), (ii), and (iii), respectively;

(iv) by redesignating subparagraphs (A), (B), (C), and (D) of such paragraph (2) as clauses (i), (ii), (iii), and (iv), respectively; and

(v) by redesignating clauses (i) and (ii) of subparagraph (C) of both such paragraphs (1) and (2) as subclauses (I) and (II), respectively;

(B) in paragraph (1)(A) (as so redesignated by subparagraph (A) of this paragraph, and as amended by subsection (a)(2)(A) of this section before such redesignation), by inserting "subject to paragraph (2)," before "shall require"; and

(C) by adding at the end the following new paragraph:

"(2)(A) In carrying out the program under this section, a State may design its program to reflect the individual needs of the State and to emphasize education, training, and employment services for unemployed parents and their spouses who are eligible for aid to families with dependent children by reason of this section, to the extent provided under this paragraph.

"(B)(i) Subject to clauses (ii) and (iii), with respect to the requirement under section 402(a)(41), a State may, at its option, limit the number of months with respect to which a family receives aid to families with dependent children to the extent determined appropriate by the State for the operation of its program under this section.

"(ii)(I) A State may not limit the number of months under clause (i) for which a family may receive aid to families with dependent children unless it provides in its plan assurances to the Secretary that it has a program (that meets such requirements as the Secretary may in regulation prescribe) for providing education, training, and employment services (including any activity authorized under section 402(a)(19) or under part F) in order to assist parents of children described in subsection (a) in preparing for and obtaining employment.

"(II) In exercising the option under clause (i), a State plan may not provide for the denial of aid to families with dependent children to a family otherwise eligible for such aid for any month unless the family has received such aid (on the basis of the unemployment of the parent who is the principal earner) in at least 6 of the preceding 12 months.

"(iii) Each State which, on September 26, 1988, has a program in effect under this section shall continue to operate such program without a time limitation.

"(C) With respect to the participation in the program under section 402(a)(19) and part F of a family eligible for aid to families with dependent children by reason of this section, a State may, at its option—

"(i) except as otherwise provided in such section and such part, require that any parent participating in such program engage in program activities for up to 40 hours per week; and

"(ii) provide for the payment of aid to families with dependent children at regular intervals of no greater than one month but after the performance of assigned program activities."

(2) Section 402(a)(19)(B)(i)(II) of such Act (as added by the amendment made by section 201(a) of this Act) is amended by inserting "(and individuals who would be recipients of such aid if the State had not exercised the option under section 407(b)(2)(B)(i))" after "children".

(3)(A) Section 407(b)(1)(B) of such Act (as so redesignated by paragraph (1)(A) of this subsection) is amended by striking "paragraph (1)(A)" each place it appears and inserting in lieu thereof "subparagraph (A)(i)".

(B) Section 407(c) of such Act is amended—

(i) by striking "subparagraph (A) of subsection (b)(1)" and inserting in lieu thereof "subsection (b)(1)(A)(i)";

(ii) by striking "subparagraph (B) of such subsection" and inserting in lieu thereof "subsection (b)(1)(A)(ii)"; and

(iii) by striking "subparagraph (A) of subsection (b)(2)" and inserting in lieu thereof "subsection (b)(1)(B)(i)".

(C) Section 407(d)(3) of such Act is amended by striking "section 407(b)(1)(C)" and inserting in lieu thereof "subsection (b)(1)(A)(iii)".

(c) PARTICIPATION IN TRAINING AND EDUCATION PROGRAMS AS A QUARTER OF WORK.—(1) Section 407(d)(1) of such Act is amended—

(A) by inserting "(A)" after "means a calendar quarter"; and

(B) by inserting before the semicolon at the end the following: " , or (B) at the option of the State, a calendar quarter in which such individual attended, full-time, an elementary school, a secondary school, or a vocational or technical training course (approved by the Secretary) that is designed to prepare the individual for gainful employment, or in which such individual participated in an education or training program established under the Job Training Partnership Act".

(2) Section 407(d) of such Act is amended by adding at the end the following new sentence:

"Notwithstanding section 402(a)(1), a State that chooses to exercise the option provided under paragraph (1)(B) may provide that the definition of calendar quarter under such option apply in one or more political subdivisions of the State."

(3) Section 407(b)(1)(A)(iii)(I) of such Act (as so redesignated by subsection (b)(1)(A) of this section) is amended by inserting " , no more than 4 of which may be quarters of work defined in subsection (d)(1)(B), " after "(d)(1)".

(4)(A) Section 407(b)(2)(B)(ii) of such Act (as added by the amendment made by subsection (b)(1)(C)) is amended by adding at the end the following new subclause:

"(III) Any family that is otherwise eligible for aid to families with dependent children that does not receive such aid in any month solely by reason of the State exercising the option under clause (i) shall be deemed, for purposes of determining the period under paragraph (1)(A)(iii)(I), to be receiving such aid in such month."

(B) Section 407(d)(1) of such Act (as amended by paragraph (1) of this subsection) is amended by striking "a community work experience" and all that follows through the semicolon and inserting in lieu thereof "the program under section 402(a)(19) and part F";

(d) EXPANSION OF MEDICAID COVERAGE FOR TWO-PARENT FAMILIES.—(1) Section 1902(a)(10)(A)(i) of such Act is amended—

(A) by striking "or" at the end of subclause (III),

(B) by adding "or" at the end of subclause (IV), and

(C) by adding at the end the following new subclause:

"(V) who are qualified family members as defined in section 1905(m)(1);".

(2) Section 1905 of such Act is amended by inserting after subsection (l) the following new subsection:

"(m)(1) Subject to paragraph (2), the term 'qualified family member' means an individual (other than a qualified pregnant woman or child, as defined in subsection (n)) who is a member of a

family that would be receiving aid under the State plan under part A of title IV pursuant to section 407 if the State had not exercised the option under section 407(b)(2)(B)(i).

"(2) No individual shall be a qualified family member for any period after September 30, 1998."

(e) **EVALUATION AND REPORT.**—(1) The Secretary of Health and Human Services shall evaluate the time-limited and conventional State programs conducted under section 407 of the Social Security Act (as amended by this section), including the effects of the work requirement applicable to families receiving benefits under such section.

(2) The Secretary shall, not later than July 1, 1996, submit to the Congress an interim report containing the findings of such evaluation together with recommendations for any changes in such program, and shall, not later than July 1, 1998, submit to the Congress a final report containing such findings and recommendations.

(f) Section 402(a) of such Act (as amended by sections 201(a) and 401(a) of this Act) is amended—

(1) by striking "and" at the end of paragraph (40);

(2) by striking the period at the end of paragraph (41) and inserting "; and"; and

(3) by inserting at the end the following new paragraph:

"(42) provide that if, under section 407(b)(2)(B)(i), the State limits the number of months for which a family may receive aid to families with dependent children, the State shall provide medical assistance to all members of the family under the State's plan approved under title XIX, without time limitation.

(g) **EFFECTIVE DATE.**—(1) Except as provided in paragraph (2), and in section 1905(m)(2) of the Social Security Act (as added by subsection (d)(2) of this section), the amendments made by this section shall become effective on October 1, 1990.

(2) The amendments made by this section shall not become effective with respect to American Samoa, Guam, or the Virgin Islands, until October 1, 1992.

(h) **TERMINATION.**—Effective September 30, 1998, the amendments made by this section (other than by subsection (d)) are repealed, and the provisions of law so amended (as in effect immediately before the effective date of such amendments) shall apply as if such amendments had never been made.

SEC. 402. CHANGES IN EARNED INCOME DISREGARDS.

(a) **LIMIT ON DISREGARD OF CHILD CARE COSTS INCREASED; CHILD CARE DISREGARD TO BE APPLIED LAST.**—Section 402(a)(8)(A)(iii) of the Social Security Act is amended—

(1) by inserting "after applying the other clauses of this subparagraph," before "shall disregard";

(2) by striking "\$160" and inserting in lieu thereof "\$175"; and

(3) by inserting before the semicolon "or, in the case such child is under age 2, \$200".

(b) **STANDARD DISREGARD INCREASED.**—Section 402(a)(8)(A)(ii) of such Act is amended by striking "\$75" and inserting in lieu thereof "\$90".

(c) **DISREGARD OF ADVANCE PAYMENTS OR REFUND OF EARNED INCOME TAX CREDIT.**—Section 402(a)(8)(A) of such Act is amended—

(1) by striking "and" at the end of clause (vi); and

(2) by adding at the end the following new clause:

"(viii) shall disregard any refund of Federal income taxes made to a family receiving aid to families with dependent children by reason of section 32 of the Internal Revenue Code of 1986 (relating to earned income tax credit) and any payment made to such a family by an employer under section 3507 of such Code (relating to advance payment of earned income credit); and".

(d) **EFFECTIVE DATE.**—The amendments made by this section shall become effective on October 1, 1989.

SEC. 403. HOUSEHOLDS HEADED BY MINOR PARENTS.

(a) **IN GENERAL.**—Section 402(a) of the Social Security Act (as amended by sections 201(a), 401(a), and 402(f) of this Act) is amended—

(1) by striking "and" at the end of paragraph (41);

(2) by striking the period at the end of paragraph (42) and inserting "; and"; and

(3) by inserting immediately after paragraph (42) the following new paragraph:

"(43) at the option of the State, provide that—

"(A) subject to subparagraph (B), in the case of any individual who is under the age of 18 and has never married, and who has a dependent child in his or her care (or is pregnant and is eligible for aid to families with dependent children under the State plan)—

"(i) such individual may receive aid to families with dependent children under the plan for the individual and such child (or for herself in the case of a pregnant woman) only if such individual and child (or such pregnant woman) reside in a place of residence maintained by a parent, legal guardian, or other adult relative of such individual as such parent's, guardian's, or adult relative's own home, or reside in a foster home, maternity home, or other adult-supervised supportive living arrangement; and

"(ii) such aid (where possible) shall be provided to the parent, legal guardian, or other adult relative on behalf of such individual and child; and

"(B) subparagraph (A) does not apply in the case where—

"(i) such individual has no parent or legal guardian of his or her own who is living and whose whereabouts are known;

"(ii) no living parent or legal guardian of such individual allows the individual to live in the home of such parent or guardian;

"(iii) the State agency determines that the physical or emotional health or safety of such individual or such dependent child would be jeopardized if such individual and such dependent child lived in the same residence with such individual's own parent or legal guardian;

"(iv) such individual lived apart from his or her own parent or legal guardian for a period of at least one year before either the birth of any such dependent child or the individual having made application for aid to families with dependent children under the plan; or

"(v) the State agency otherwise determines (in accordance with regulations issued by the Secretary) that there is good cause for waiving such subparagraph.

(b) **EFFECTIVE DATE.**—The amendments made by this section shall become effective on the first day of the first calendar quarter to begin one year or more after the date of the enactment of this Act.

SEC. 404. PERIODIC REEVALUATION OF NEED AND PAYMENT STANDARDS.

(a) **IN GENERAL.**—Section 402 of the Social Security Act (as amended by section 301 of this Act) is amended by adding at the end the following new subsection:

"(h)(1) Each State shall reevaluate the need standard and payment standard under its plan at least once every 3 years, in accordance with a schedule established by the Secretary, and report the results of the reevaluation to the Secretary and the public at such time and in such form and manner as the Secretary may require.

"(2) The report required by paragraph (1) shall include a statement of—

"(A) the manner in which the need standard of the State is determined,

"(B) the relationship between the need standard and the payment standard (expressed as a percentage or in any other manner determined by the Secretary to be appropriate), and

"(C) any changes in the need standard or the payment standard in the preceding 3-year period.

"(3) The Secretary shall report promptly to the Congress the results of the reevaluations required by paragraph (1)."

(b) **EFFECTIVE DATE.**—The amendment made by subsection (a) shall become effective on the date of the enactment of this Act.

SEC. 405. CBO STUDY ON IMPLEMENTATION OF NATIONAL MINIMUM PAYMENT STANDARD.

(a) **IN GENERAL.**—The Congressional Budget Office shall conduct a study on the implementation of the amendments proposed by section 101 of the bill introduced in the Senate of the United States during the 100th Congress and designated S. 862 (relating to the requirement of a minimum payment standard under part A of title IV of the Social Security Act with a Federal matching rate of 90 percent).

(b) **DESCRIPTION OF STUDY.**—The study conducted under subsection (a) shall assess the extent to which—

(1) the goal of budget neutrality may be preserved by repealing the programs included in, but not limited to, the programs described in the amendments proposed by section 301 of the bill described in subsection (a) over a more gradual period of time in conjunction with corresponding increases (up to 90 percent) in the Federal matching rates under part A of title IV, and title XIX, of the Social Security Act; and

(2) the effects on local governments of repealing Federal programs could be mitigated by providing, over a period of time

that corresponds with more gradual increases in the Federal matching rates under such part A and title XIX, general revenue supplements to those localities with the lowest levels of fiscal capacity and pass-throughs to units of local government.

(c) **REPORT TO CONGRESS.**—The Congressional Budget Office shall report on the results of the study conducted under this section not later than 12 months after the date of the enactment of this Act.

(d) **AUTHORIZATION OF APPROPRIATIONS.**—There are authorized to be appropriated such sums as may be necessary to carry out this section.

SEC. 406. STUDY OF NEW NATIONAL APPROACHES TO WELFARE BENEFITS FOR LOW-INCOME FAMILIES WITH CHILDREN.

(a) **IN GENERAL.**—The Secretary of Health and Human Services shall enter into a contract or arrangement with the National Academy of Sciences for the study of a new national system of welfare benefits for low-income families with children, giving particular attention to what an appropriate national minimum benefit might be and how it should be calculated. The study shall give consideration to alternative minimum benefit proposals including proposals for benefits based on a family living standard, on weighted national median income, on State median income, and on the poverty level, and shall take into account the probable impact of a national minimum benefit on individuals and on State and local governments.

(b) **METHODOLOGY.**—(1) The study under this section shall include the development of a uniform national methodology which could be used to calculate State-specific family living standards and benefits based on other minimum benefit proposals.

(2) The methodology so developed shall be designed to identify a single uniform measure suitable for application in each State, and shall—

(A) take into account actual living costs in each State while permitting variances in such costs as between the different geographic areas of the State;

(B) take into account variations in actual living costs in each State for families of different sizes and composition; and

(C) specify an effective process for reassessing and updating both the methodology and the resulting family living standards and benefits based on other minimum benefit policies at least once every 4 years.

(3) The methodology so developed shall reflect the costs of basic necessities including housing, furnishings, food, clothing, transportation, utilities, and other maintenance items; and the study shall take into account variations in costs for different geographic areas of the State where such costs may be substantially different, and variations in costs for families of different sizes and composition.

(c) **OTHER CONSIDERATIONS; PROGRESSION TO PROPOSED MINIMUM BENEFIT LEVELS.**—In order to assess the implications of States moving to a new system of welfare benefits, the study shall include an analysis of the relationship between a State's fiscal capacity and other circumstances and constraints and the application of a full family living standard or other minimum benefit policy. The study shall propose a formula designed to achieve a uniform progression from the level of assistance currently being provided for low-income

families with children under the AFDC program, the food stamp program, and the low-income energy assistance program, by each State, to a level based on the full family living standard or other minimum benefit policy for that State. For this purpose the Secretary shall define the term "low-income families with children" in a manner which reflects all families that include dependent children as defined for purposes of the AFDC program.

(d) **REPORT AND RECOMMENDATIONS.**—The Academy shall report its recommendations resulting from the study under this section to the Secretary no later than 24 months after the date of the enactment of this Act; and the Secretary shall promptly transmit such recommendations to the Congress.

(e) **AUTHORIZATION OF FUNDS.**—There are authorized to be appropriated such sums as may be necessary to carry out this section.

TITLE V—DEMONSTRATION PROJECTS

SEC. 501. FAMILY SUPPORT DEMONSTRATION PROJECTS.

(a) **DEMONSTRATION PROJECTS TO TEST THE EFFECT OF EARLY CHILDHOOD DEVELOPMENT PROGRAMS.**—(1) In order to test the effect of in-home early childhood development programs and pre-school center-based development programs (emphasizing the use of volunteers and including academic credit for student volunteers) on families receiving aid under State plans approved under section 402 of the Social Security Act and participating in the job opportunities and basic skills training program under part F of title IV of such Act, up to 10 States may undertake and carry out demonstration projects utilizing such development programs to enhance the cognitive skills and linguistic ability of children under the age of 5, to improve the communications skills of such children, and to develop their ability to read, write, and speak the English language effectively. Such projects may include parents along with their eligible children in family-centered education programs that assist children directly in achieving the goals stated in the preceding sentence and also help parents contribute to the proper development and education of their young children. Demonstration projects under this subsection shall meet such conditions and requirements as the Secretary of Health and Human Services (in this section referred to as the "Secretary") shall prescribe, and no such project shall be conducted for a period of more than 3 years.

(2) The Secretary shall consider all applications received from States desiring to conduct demonstration projects under this subsection, shall approve up to 10 applications involving projects which appear likely to contribute significantly to the achievement of the purpose of this subsection, and shall make grants to the States whose applications are approved to assist them in carrying out such projects.

(3) The Secretary shall submit to the Congress with respect to each project undertaken by a State under this subsection, after such project has been carried out for one year and again when such project is completed, a detailed evaluation of the project and of its contribution to the achievement of the purpose of this subsection.

(b) **STATE DEMONSTRATION PROJECTS TO ENCOURAGE INNOVATIVE EDUCATION AND TRAINING PROGRAMS FOR CHILDREN.**—In order to encourage States to develop innovative education and training programs for children receiving aid under State plans approved under section 402 of the Social Security Act, any State may establish and conduct one or more demonstration projects, targeted to such children, designed to test financial incentives and interdisciplinary approaches to reducing school dropouts, encouraging skill development, and avoiding welfare dependence; and the Secretary may make grants to States to assist in financing such projects. Demonstration projects under this subsection shall meet such conditions and requirements as the Secretary shall prescribe, and no such project shall be conducted for a period of less than one year or more than 5 years.

(c) **DEMONSTRATIONS TO ENSURE LONG TERM FAMILY SELF-SUFFICIENCY THROUGH COMMUNITY-BASED SERVICES.**—Any State, using funds made available to it from appropriations made pursuant to subsection (d) in conjunction with its other resources, may conduct demonstrations to test more effective methods of providing coordination and services to ensure long term family self-sufficiency through community-based comprehensive family support services involving a partnership between the State agency administering or supervising the administering of the State's plan under section 402 of the Social Security Act and community-based organizations having experience and demonstrated effectiveness in providing services.

(d) **AUTHORIZATION OF APPROPRIATIONS.**—For the purpose of making grants to States to conduct demonstration projects under this section, there is authorized to be appropriated not to exceed \$6,000,000 for each of the fiscal years 1990, 1991, and 1992.

SEC. 502. DEMONSTRATION PROJECTS TO ENCOURAGE STATES TO EMPLOY PARENTS RECEIVING AFDC AS PAID CHILD CARE PROVIDERS.

(a) **IN GENERAL.**—In order to encourage States to employ or arrange for the employment of parents of dependent children receiving aid under State plans approved under section 402(a) of the Social Security Act as providers of child care for other children receiving such aid, up to 5 States may undertake and carry out demonstration projects designed to test whether such employment will effectively facilitate the conduct of the job opportunities and basic skills training program under part F of title IV of such Act by making additional child care services available to meet the requirements of section 402(g)(1)(A) of such Act while affording significant numbers of families receiving such aid a realistic opportunity to avoid welfare dependence through employment as a child care provider.

(b) **CONSIDERATION OF APPLICATIONS.**—The Secretary of Health and Human Services shall consider all applications received from States desiring to conduct demonstration projects under this section, shall approve up to 5 applications involving projects which appear likely to contribute significantly to the achievement of the purpose of this section, and shall make grants to those States the applications of which are approved to assist them in carrying out such projects. Each project conducted under this section shall meet such conditions and requirements as the Secretary shall prescribe.

(c) **LIMITATION ON AUTHORIZATION OF APPROPRIATIONS.**—For the purpose of making grants to States to carry out demonstration projects under this section, there is authorized to be appropriated not to exceed \$1,000,000 for each of the fiscal years 1990, 1991, and 1992.

(d) **EFFECTIVE DATE.**—The section shall become effective on October 1, 1989.

SEC. 503. DEMONSTRATION PROJECTS TO TEST ALTERNATIVE DEFINITIONS OF UNEMPLOYMENT.

Section 1115 of the Social Security Act is amended by adding at the end the following new subsection:

“(d)(1)(A) The Secretary shall enter into agreements with up to 8 States submitting applications under this subsection for the purpose of conducting demonstration projects in such States to test and evaluate the use, with respect to individuals who received aid under part A of title IV in the preceding month (on the basis of the unemployment of the parent who is the principal earner), of a number greater than 100 for the number of hours per month that such individuals may work and still be considered to be unemployed for purposes of section 407. If any State submits an application under this subsection for the purpose of conducting a demonstration project to test and evaluate the total elimination of the 100-hour rule, the Secretary shall approve at least one such application.

“(B) If any State with an agreement under this subsection so requests, the demonstration project conducted pursuant to such agreement may test and evaluate the complete elimination of the 100-hour rule and of any other durational standard that might be applied in defining unemployment for purposes of determining eligibility under section 407.

“(2) Notwithstanding section 402(a)(1), a demonstration project conducted under this subsection may be conducted in one or more political subdivisions of the State.

“(3) An agreement under this subsection shall be entered into between the Secretary and the State agency designated under section 402(a)(3). Such agreement shall provide for the payment of aid under the applicable State plan under part A of title IV as though section 407 had been modified to reflect the definition of unemployment used in the demonstration project but shall also provide that such project shall otherwise be carried out in accordance with all of the requirements and conditions of section 407 (and, except as provided in paragraph (2), any related requirements and conditions under part A of title IV).

“(4) A demonstration project under this subsection may be commenced any time after September 30, 1990, and shall be conducted for such period of time as the agreement with the Secretary may provide; except that, in no event may a demonstration project under this section be conducted after September 30, 1995.

“(5)(A) Any State with an agreement under this subsection shall evaluate the comparative cost and employment effects of the use of the definition of unemployment in its demonstration project under this section by use of experimental and control groups comprised of a random sample of individuals receiving aid under section 407 and shall furnish the Secretary with such information as the Secretary

determines to be necessary to evaluate the results of the project conducted by the State.

"(B) The Secretary shall report the results of the demonstration projects conducted under this subsection to the Congress not later than 6 months after all such projects are completed."

SEC. 504. DEMONSTRATION PROJECTS TO ADDRESS CHILD ACCESS PROBLEMS.

(a) IN GENERAL.—Any State may establish and conduct one or more demonstration projects (in accordance with such terms, conditions, and requirements as the Secretary of Health and Human Services shall prescribe, except that no such project may include the withholding of aid to families with dependent children pending visitation) to develop, improve, or expand activities designed to increase compliance with child access provisions of court orders.

(b) ACTIVITIES UNDER PROJECT.—Activities that may be funded by a grant under this section include (whether conducted through the executive, legislative, or judicial branches of the State) the development of systematic procedures for enforcing access provisions of court orders, the establishment of special staffs to deal with and mediate disputes involving access (both before and after a court order has been issued), and the dissemination of information to parents.

(c) OTHER REQUIREMENTS.—In the case of any experimental, pilot, or demonstration project undertaken under this section, the project—

(1) must be designed to improve the financial well-being of families with children or otherwise improve the operation of the program or programs involved; and

(2) may not permit modifications in any program which would have the effect of disadvantaging children in need.

(d) AUTHORIZATION OF APPROPRIATIONS.—For the purpose of making grants to States to assist in financing the projects established under this section, there is authorized to be appropriated not to exceed \$4,000,000 for each of the fiscal years 1990 and 1991.

(e) REPORT.—Not later than July 1, 1992, the Secretary of Health and Human Services shall submit to the Congress a report on the effectiveness of the demonstration projects established under this section in—

(1) decreasing the time required for the resolution of disputes related to child access,

(2) reducing litigation relating to access disputes, and

(3) improving compliance with court-ordered child support payments.

SEC. 505. DEMONSTRATION PROJECTS TO EXPAND THE NUMBER OF JOB OPPORTUNITIES AVAILABLE TO CERTAIN LOW-INCOME INDIVIDUALS.

(a) IN GENERAL.—The Secretary of Health and Human Services (in this section referred to as the "Secretary") shall enter into agreements with not less than 5 nor more than 10 nonprofit organizations (including community development corporations) submitting applications under this section for the purpose of conducting demonstration projects in accordance with subsection (b) to create employment opportunities for certain low-income individuals.

(b) **NATURE OF PROJECT.**—(1) Each nonprofit organization conducting a demonstration project under this section shall provide technical and financial assistance to private employers in the community to assist them in creating employment and business opportunities for those individuals eligible to participate in the projects as described in this subsection.

(2) For purposes of this section, a nonprofit organization is any organization (including a community development corporation) exempt from taxation under section 501(a) of the Internal Revenue Code of 1986 by reason of paragraph (3) or (4) of section 501(c) of such Code.

(3) A low-income individual eligible to participate in a project conducted under this section is any individual eligible to receive aid to families with dependent children under part A of title IV of the Social Security Act and any other individual whose income level does not exceed 100 percent of the official poverty line as defined by the Office of Management and Budget and revised in accordance with section 673(2) of the Omnibus Budget Reconciliation Act of 1981.

(c) **CONTENT OF APPLICATIONS; SELECTION PRIORITY.**—(1) Each nonprofit organization submitting an application under this section shall, as part of such application, describe—

(A) the technical and financial assistance that will be made available under the project conducted under this section;

(B) the geographic area to be served by the project;

(C) the percentage of low-income individuals (as described in subsection (b)) and individuals receiving aid to families with dependent children under title IV of the Social Security Act in the area to be served by the project; and

(D) unemployment rates in the geographic areas to be served and (to the extent practicable) the jobs available and skills necessary to fill those vacancies in such areas.

(2) In approving applications under this section, the Secretary shall give priority to applications proposing to serve those areas containing the highest percentage of individuals receiving aid to families with dependent children under title IV of such Act.

(d) **ADMINISTRATION.**—Each nonprofit organization participating in a demonstration project conducted under this section shall provide assurances in its agreement with the Secretary that it has or will have a cooperative relationship with the agency responsible for administering the job opportunities and basic skills training program (as provided for under title IV of the Social Security Act) in the area served by the project.

(e) **DURATION.**—Each demonstration project conducted under this section shall be commenced not later than September 30, 1989, and shall be conducted for a 3-year period; except that the Secretary may terminate a project before the end of such period if he determines that the nonprofit organization conducting the project is not in substantial compliance with the terms of the agreement entered into with the Secretary under this section.

(f) **EVALUATION AND REPORT.**—(1) The Secretary shall conduct an evaluation of the success of each demonstration project conducted under this section in creating job opportunities and may require each nonprofit organization conducting such a project to provide the

Secretary with such information as the Secretary determines is necessary to prepare the report described in paragraph (2).

(2) Not later than January 1, 1993, the Secretary shall submit to the Congress a report containing a summary of the evaluations conducted under paragraph (1), together with such recommendations as the Secretary determines are appropriate.

(g) **AUTHORIZATION OF APPROPRIATIONS.**—For the purpose of making grants to conduct demonstration projects under this section, there is authorized to be appropriated not to exceed \$6,500,000 for each of the fiscal years 1990, 1991, and 1992.

SEC. 506. DEMONSTRATION PROJECTS TO PROVIDE COUNSELING AND SERVICES TO HIGH-RISK TEENAGERS.

(a) **FINDINGS AND PURPOSE.**—(1) The Congress finds that—

(A) the incidences of teenage pregnancy, suicide, substance abuse, and school dropout are increasing;

(B) research to date has established a link between low self-esteem, perceived limited life options and the risk of teenage pregnancy, suicide, substance abuse, and school dropout;

(C) little data currently exists on how to improve the self-image of and expand the life options available to high-risk teenagers; and

(D) there currently is no Federal program in place to address the unique and significant problems faced by today's teenagers.

(2) It is the purpose of the demonstration projects conducted under this section to provide programs in which a range of non-academic services (sports, recreation, the arts) and self-image counseling are provided to high-risk teenagers in order to reduce the rates of pregnancy, suicide, substance abuse, and school dropout among such teenagers.

(b) **IN GENERAL.**—The Secretary of Health and Human Services (in this section referred to as the "Secretary") shall enter into an agreement with each of 4 States submitting applications under this section for the purpose of conducting demonstration projects in accordance with this section to provide counseling and services to certain high-risk teenagers.

(c) **NATURE OF PROJECT.**—Under each demonstration project conducted under this section—

(1) The State shall establish a "Teen Care Plan" that shall consist of the following:

(A) A clearing house where high-risk teenagers will be referred to and encouraged to participate in non-academic activities (arts, recreation, sports) which are already in place in the community.

(B) A survey of the area to be targeted by the project to determine the need to fund and create new non-academic activities in the area.

(C) Counseling services utilizing qualified, locally licensed psychologists, social psychologists, or other mental health professionals or related experts to provide individual and group counseling to participating high-risk teenagers.

(D) A program to provide participants in the project (to the extent practicable) with such transportation, child care,

and equipment as is necessary to carry out the purposes of the project.

(2) The State shall designate two geographical areas within the State to be targeted by the project. One area will serve as the "home base" for the project, where services will be concentrated and in which a local school system will be selected to receive services and provide facilities for resource referral and counseling. The second geographical area will serve as a "peripheral" participant, receiving assistance and services from the home base.

(3) A high-risk teenager is any male or female who has reached the age of 10 years and whose age does not exceed 20 years, and who—

(A) has a history of academic problems;

(B) has a history of behavioral problems both in and out of school;

(C) comes from a one-parent household; or

(D) is pregnant or is a mother of a child.

(d) APPLICATIONS; SELECTION CRITERIA.—(1) In selecting States to conduct demonstration projects under this section, the Secretary—

(A) shall consult with the Consortium on Adolescent Pregnancy;

(B) shall consider—

(i) the rate of teenage pregnancy in each State,

(ii) the teenage school dropout rate in each State,

(iii) the incidence of teenage substance abuse in each State, and

(iv) the incidence of teenage suicide in each State; and

(C) shall give priority to States whose applications—

(i) demonstrate a current strong State commitment aimed at reducing teenage pregnancy, suicide, drug abuse, and school dropout;

(ii) contain a "State support agreement" signed by the Governor, the State School Commissioner, the State Department of Human Services, and the State Department of Education, pledging their commitment to the project;

(iii) describe facilities and services to be made available by the State to assist in carrying out the project; and

(iv) indicate a demonstrably high rate of alcoholism among its residents.

(2) Of the States selected to participate in the demonstration projects conducted under this section—

(A) one shall be a geographically small State with a population of less than 1,250,000;

(B) one shall be a State with a population of over 20,000,000; and

(C) two shall be States with populations of more than 1,000,000 but less than 20,000,000.

(e) EVALUATION AND REPORT.—(1) Each State conducting a demonstration project under this section shall submit to the Secretary for his approval an evaluation plan that provides for examining the effectiveness of the project in both the home base and peripheral area of the State.

(2) Not later than October 1, 1992, the Secretary shall submit to the Congress a report containing a summary of the evaluations conducted by States pursuant to the plans described in paragraph (1).

(f) **FUNDING.**—(1) Three-fifths of the total amount appropriated pursuant to this section for any fiscal year for each State conducting a demonstration project shall be expended by such State for the provision of services and facilities within the State's designated project home base, and 5 percent of such three-fifths shall be set aside for the conduct of the State's evaluation as provided for in subsection (e).

(2) Two-fifths of the total amounts appropriated pursuant to this section for any fiscal year for each State conducting a demonstration project shall be expended by such State for the provision of services and facilities within the State's designated peripheral area, and 5 percent of such two-fifths shall be set aside for the conduct of the State's evaluation as provided for in subsection (e).

(g) **DURATION.**—A demonstration project conducted under this section shall be commenced not later than September 30, 1989, and shall be conducted for a 3-year period; except that the Secretary may terminate a project before the end of such period if he determines that the State conducting the project is not in substantial compliance with the terms of the agreement entered into with the Secretary under this section.

(h) **AUTHORIZATION OF APPROPRIATIONS.**—For the purpose of funding in equal amounts each State demonstration project conducted under this section, there is authorized to be appropriated not to exceed \$1,500,000 for each of the fiscal years 1990, 1991, and 1992.

SEC. 507. EXTENSION OF MINNESOTA PREPAID MEDICAID DEMONSTRATION PROJECT.

Upon application by the State of Minnesota, the Secretary of Health and Human Services shall extend until June 30, 1990, the waiver granted to such State under section 1115(a) of the Social Security Act to conduct a prepaid medicaid demonstration project.

TITLE VI—MISCELLANEOUS PROVISIONS

SEC. 601. INCLUSION OF AMERICAN SAMOA AS A STATE UNDER TITLE IV.

(a) **IN GENERAL.**—The last sentence of section 1101(c)(1) of the Social Security Act (42 U.S.C. 1301(a)(1)) is amended to read as follows: "Such term when used in title IV also includes American Samoa."

(b) **LIMITATION ON PAYMENTS TO AMERICAN SAMOA.**—Section 1108 of such Act (42 U.S.C. 1308) is amended—

(1) by redesignating subsection (d) as subsection (e); and

(2) by inserting after subsection (c) the following new subsection:

"(d) The total amount certified by the Secretary under parts A and E of title IV with respect to a fiscal year for payment to American Samoa (exclusive of any amounts on account of services and items to which, in the case of part A of such title, section 403(k) applies) shall not exceed \$1,000,000."

(c) **CONFORMING AMENDMENTS.**—(1) Section 403 of such Act (42 U.S.C. 603) is amended—

(A) in paragraphs (1) and (2) of subsection (a), by striking “and Guam,” each place it appears and inserting in lieu thereof “Guam, and American Samoa,”; and

(B) in subsections (i)(4) and (j), by striking “or the Virgin Islands” and inserting in lieu thereof “the Virgin Islands, or American Samoa”.

(2) The heading of section 1108 of such Act (42 U.S.C. 1308) is amended to read as follows:

“**LIMITATION ON PAYMENTS TO PUERTO RICO, THE VIRGIN ISLANDS, GUAM, AND AMERICAN SAMOA**”.

(3) The last sentence of section 1118 of such Act (42 U.S.C. 1318) is amended by inserting before the period the following: “, and shall, in the case of American Samoa, mean 75 per centum with respect to part A of title IV”.

(d) **EFFECTIVE DATE.**—The amendments made by this section shall become effective on October 1, 1988.

SEC. 602. INCREASE IN AMOUNT AVAILABLE FOR PAYMENT TO PUERTO RICO, THE VIRGIN ISLANDS, AND GUAM.

(a) **IN GENERAL.**—Section 1108(a) of the Social Security Act (42 U.S.C. 1308(a)) is amended—

(1) in paragraph (1)—

(A) by striking “or” at the end of subparagraph (E); and

(B) by striking subparagraph (F) and insertign in lieu thereof the following:

“(F) \$72,000,000 with respect to each of the fiscal years 1979 through 1988, or

“(G) \$82,000,000 with respect to the fiscal year 1989 and each fiscal year thereafter;”;

(2) in paragraph (2)—

(A) by striking “or” at the end of subpargaph (E); and

(B) by striking subparagraph (F) and inserting in lieu thereof the following:

“(F) \$2,400,000 with respect to each of the fiscal years 1979 through 1988, or

“(G) \$2,800,000 with respect to the fiscal year 1989 and each fiscal year thereafter;”;

(3) in paragraph (3)—

(A) by striking “or” at the end of subparagraph (E); and

(B) by striking subparagraph (F) and inserting in lieu thereof the following:

“(F) \$3,300,000 with respect to each of the fiscal years 1979 through 1988, or

“(G) \$3,800,000 with respect to the fiscal year 1989 and each fiscal year thereafter.”.

(b) **EFFECTIVE DATE.**—The amendments made by subsection (a) shall become effective on October 1, 1988.

SEC. 603. ASSISTANT SECRETARY FOR FAMILY SUPPORT.

(a) **IN GENERAL.**—Part A of title IV of the Social Security Act (as amended by the preceding provisions of this Act) is further amended by adding at the end the following new section:

"ASSISTANT SECRETARY FOR FAMILY SUPPORT

"SEC. 418. *The programs under this part, part D, and part F shall be administered by an Assistant Secretary for Family Support within the Department of Health and Human Services, who shall be appointed by the President, by and with the advice and consent of the Senate, and who shall be in addition to any other Assistant Secretary of Health and Human Services provided for by law."*

(b) COMPENSATION.—Section 5315 of title 5, United States Code, is amended by striking "(4)" at the end of the item relating to Assistant Secretaries of Health and Human Services and inserting in lieu thereof "(5)".

(c) EFFECTIVE DATE.—The amendments made by this section shall become effective on February 1, 1989.

SEC. 604. RESPONSIBILITIES OF THE STATE.

(a) IN GENERAL.—Section 402(a) of the Social Security Act (as amended by sections 201(a), 401(a), 402(f), and 403(a) of this Act) is amended—

(1) by striking "and" at the end of paragraph (42);

(2) by striking the period at the end of paragraph (43) and inserting in lieu thereof "; and"; and

(3) by inserting immediately after paragraph (43) the following new paragraph:

"(44) provide that the State agency shall—

"(A) be responsible for assuring that the benefits and services under the programs under this part, part D, and part F are furnished in an integrated manner, and

"(B) consistent with the provisions of this title, ensure that all applicants for and recipients of aid to families with dependent children are encouraged, assisted, and required to cooperate in the establishment of paternity and the enforcement of child support obligations, and are notified of the paternity establishment and child support services for which they may be eligible."

(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall become effective on July 1, 1989.

SEC. 605. ESTABLISHMENT OF PREELIGIBILITY FRAUD DETECTION MEASURES.

(a) IN GENERAL.—Section 402(a) of the Social Security Act (as amended by sections 201(a), 401(a), 420(f), 403(a), and 604(a) of this Act) is amended—

(1) by striking "and" at the end of paragraph (43);

(2) by striking the period at the end of paragraph (44) and inserting in lieu thereof "; and"; and

(3) by inserting immediately after paragraph (44) the following new paragraph:

"(45) provide (in accordance with regulations issued by the Secretary) for appropriate measures to detect fraudulent applications for aid to families with dependent children prior to the establishment of eligibility for such aid."

(b) EFFECTIVE DATE; REGULATIONS.—(1) The amendments made by subsection (a) shall become effective on October 1, 1989.

(2) *The Secretary of Health and Human Services shall issue final regulations with respect to the requirement added by the amendment made by subsection (a) not later than 6 months after the date of the enactment of this Act.*

SEC. 606. UNIFORM REPORTING REQUIREMENTS.

Section 403 of the Social Security Act is amended by inserting immediately before subsection (f) the following new subsection:

"(e) In order to assist in obtaining the information needed to carry out subsection (b)(1) and otherwise to perform his duties under this part, the Secretary shall establish uniform reporting requirements under which each State will be required periodically to furnish such information and data as the Secretary may determine to be necessary to ensure that sections 402(a)(37), 402(a)(42), and 402(g)(1)(A)(i), and are being effectively implemented, including at a minimum the average monthly number of families assisted under each such section, the types of such families, the amounts expended with respect to such families, and the length of time for which such families are assisted. The information and data so furnished with respect to families assisted under section 402(g) shall be separately stated with respect to families who have earnings and those who do not, and with respect to families who are receiving aid under the State plan and those who are not."

SEC. 607. STATE REPORTS ON EXPENDITURE AND USE OF SOCIAL SERVICES FUNDS.

Section 2006 of the Social Security Act is amended—

(1) by striking that part of the second sentence of subsection (a) which precedes "as the State finds necessary" and inserting in lieu thereof "Reports shall be prepared annually, covering the most recently completed fiscal year, and shall be in such form and contain such information (including but not limited to the information specified in subsection (c))";

(2) by redesignating subsection (c) as subsection (d); and

(3) by inserting after subsection (b) the following new subsection:

"(c) Each report prepared and transmitted by a State under subsection (a) shall set forth (with respect to the fiscal year covered by the report)—

"(1) the number of individuals who received services paid for in whole or in part with funds made available under this title, showing separately the number of children and the number of adults who received such services, and broken down in each case to reflect the types of services and circumstances involved;

"(2) the amount spent in providing each such type of service, showing separately for each type of service the amount spent per child recipient and the amount spent per adult recipient;

"(3) the criteria applied in determining eligibility for services (such as income eligibility guidelines, sliding fee scales, the effect of public assistance benefits, and any requirements for enrollment in school or training programs); and

"(4) the methods by which services were provided, showing separately the services provided by public agencies and those provided by private agencies, and broken down in each case to reflect the types of services and circumstances involved.

The Secretary shall establish uniform definitions of services for use by the States in preparing the information required by this subsection, and make such other provision as may be necessary or appropriate to assure that compliance with the requirements of this subsection will not be unduly burdensome on the States."

SEC. 608. MISCELLANEOUS TECHNICAL CORRECTIONS TO MEDICARE CATASTROPHIC COVERAGE ACT OF 1988.

(a) MODIFICATION OF PROVISIONS RELATING TO EMPLOYMENT MAINTENANCE OF EFFORT.—Section 421 of the Medicare Catastrophic Coverage Act of 1988 is amended—

(1) in subsection (a)(1)—

(A) by striking "(c)(1)" and inserting "(c)(1)(A)", and

(B) by striking "during the period described in subsection (c)(1)(A)" and inserting "(determined as if they were provided in that period)";

(2) in subsection (a)(2)—

(A) by striking "(c)(2)" and inserting "(c)(1)(B)", and

(B) by striking "during the period described in subsection (c)(1)(B)" and inserting "(determined as if they were provided in that period)";

(3) in subsections (a)(3)(A) and (a)(3)(B), by inserting "provided as of the date of the enactment of this Act" after "means benefits";

(4) in subsection (b)(1)—

(A) by inserting "1989" after "50 percent of the", and

(B) by striking "of the duplicative part A benefits" and inserting "of the benefits under part A of title XVIII of the Social Security Act (as amended by this Act as of January 1, 1989) which were not covered under part A of title XVIII of the Social Security Act as such part was in effect on the day before the date of the enactment of this Act";

(5) in subsection (b)(2)—

(A) by inserting "1990" after "50 percent of the", and

(B) by striking "of the duplicative part B benefits" and inserting "of the benefits under part B of title XVIII of the Social Security Act (as amended by this Act as of January 1, 1990, but excluding any such benefits with respect to covered outpatient drugs) which were not covered under part B of title XVIII of the Social Security Act as such part was in effect on the day before the date of the enactment of this Act."; and

(6) in subsection (b)(3)—

(A) in subparagraph (A), by striking "the actuarial value of duplicative part A benefits and duplicative part B benefits" and inserting "the amount of the additional benefits or refunds to be provided under subsections (a)(1) and (a)(2)";

(B) in subparagraph (A)(i), by striking "on the basis of" and inserting "as being equal to the respective national";

(C) in subparagraph (B), by striking "COMPUTATION OF ACTUARIAL VALUE" and inserting "PUBLICATION OF GUIDELINES AND NATIONAL AVERAGE ACTUARIAL VALUES FOR MINIMUM ADDITIONAL BENEFITS AND REFUNDS"; and

(D) by striking clause (i) of subparagraph (B) and all that follows through "shall include instructions" and inserting the following:

"(i) calculate and publish—

"(I) the national average actuarial value for the following year of the benefits under part A of title XVIII of the Social Security Act (as amended by this Act as of January 1, 1989) which were not covered under such part as such part was in effect before the date of the enactment of this Act, and

"(II) the national average actuarial value for the following year of the benefits under part B of title XVIII of the Social Security Act (as amended by this Act as of January 1, 1990, but excluding any such benefits with respect to covered outpatient drugs) which were not covered under such part as such part was in effect before the date of the enactment of this Act,

to be used by employers who exercise the option under subparagraph (A)(i) in determining the minimum amount of additional benefits or refunds to be provided under subsections (a)(1) and (a)(2), respectively; and

"(ii) publish guidelines to be used by employers who exercise the option under subparagraph (A)(ii) in determining the minimum amount of additional benefits or refunds to be provided under subsections (a)(1) and (a)(2), respectively.

The Secretary shall publish, before the beginning of 1989 with respect to part A benefits and before the beginning of 1990 with respect to part B benefits, guidelines".

(b) **INCLUSION OF PROVISIONS REPEALING AUTHORITY TO ADMINISTER PROFICIENCY EXAMINATIONS.**—The Medicare Catastrophic Coverage Act of 1988 is amended by inserting after section 429 the following new section (and by inserting a corresponding item in the table of contents of such Act):

"SEC. 430. **REPEAL OF AUTHORITY TO ADMINISTER PROFICIENCY EXAMINATIONS.**

"(a) **REPEAL.**—Section 1123 of the Social Security Act (42 U.S.C. 1320a-2) is repealed.

"(b) **EFFECT OF REPEAL.**—Nothing in the amendment made by subsection (a) shall be construed as affecting the qualification of any individual, who has been determined under the program established under section 1123 of the Social Security Act to be qualified to perform the duties and functions of a health care specialty, to perform such duties and functions."

(c) **CONTINUATION OF COST PASS-THROUGH FOR CERTIFIED REGISTERED NURSE ANESTHETISTS.**—Section 9320 of the Omnibus Budget Reconciliation Act of 1986 is amended—

(A) in subsection (i), by striking "The amendments" and inserting "Except as provided in subsection (k), the amendments", and

(B) by adding at the end the following new subsection:

"(k) **AUTHORIZATION OF CONTINUATION OF PASS-THROUGH.**—

"(1) Subject to paragraph (2), the amendments made by this section shall not apply during 1989, 1990, and 1991 to a hospital located in a rural area (as defined for purposes of section 1886(d) of the Social Security Act) if the hospital establishes, before April 1, 1989, to the satisfaction of the Secretary of Health and Human Services that—

"(A) as of January 1, 1988, the hospital employed or contracted with a certified registered nurse anesthetist (but not more than one full-time equivalent certified registered nurse anesthetist),

"(B) in 1987 the hospital had a volume of surgical procedures (including inpatient and outpatient procedures) requiring anesthesia services that did not exceed 250 (or such higher number as the Secretary determines to be appropriate), and

"(C) each certified registered nurse anesthetist employed by, or under contract with, the hospital has agreed not to bill under part B of title XVIII of such Act for professional services furnished by the anesthetist at the hospital.

"(2) Paragraph (1) shall not apply in 1990 or 1991 to a hospital unless the hospital establishes, before the beginning of each respective year, that the hospital has had a volume of surgical procedures (including inpatient and outpatient procedures) requiring anesthesia services in the previous year that did not exceed 250 (or such higher number as the Secretary determines to be appropriate).

"(3) The Secretary shall implement this subsection in such a manner as to maintain budget neutrality consistent with section 1833(l)(3) of the Social Security Act."

(d) MISCELLANEOUS TECHNICAL CORRECTIONS TO VARIOUS PROVISIONS IN THE MEDICARE CATASTROPHIC COVERAGE ACT OF 1988 ("MCCA").—

(1) ABBREVIATIONS USED.—In this subsection:

(A) The term "MCCA" refers to the Medicare Catastrophic Coverage Act of 1988 (Public Law 100-360).

(B) The term "OBRA" refers to the Omnibus Budget Reconciliation Act of 1987 (Public Law 100-203).

(2) SECTION 103.—The second sentence of section 1818(d)(1) of the Social Security Act, as amended by section 103 of MCCA, is amended by striking "entire".

(3) SECTION 104.—Section 104 of MCCA is amended—

(A) in subsection (a)(1), by striking "paragraphs (2) and (3)" and inserting "paragraph (2) and subsection (b)";

(B) in subsection (b)(1)—

(i) by striking "(1) the amendment made to section 1813(a)(1) of such Act" and inserting "(1)(A) section 1813(a)(1) of such Act (as amended by this subtitle)", and

(ii) by adding at the end the following new subparagraph:

"(B) if that individual begins a period of hospitalization (as defined in such section) during 1989 or 1990 after the end of that spell of illness, the first period of hospitalization during 1989 or 1990 that begins after that spell of illness shall be con-

sidered to be (for purposes of such section) the first period of hospitalization that begins during that year; and”;

(C) in subsections (c)(1) and (c)(2), by striking “by medicare beneficiaries” and inserting “by (or on behalf of) medicare beneficiaries”;

(D) in subsection (c)(2), by striking “cost reporting periods beginning on or after October 1, 1988” and inserting “portions of cost reporting periods occurring on or after January 1, 1989”;

(E) in subsection (c)(2), by inserting before the period at the end the following: “, without regard to whether such a hospital is paid on the basis described in subparagraph (A) or (B) of section 1886(b)(1) of such Act”;

(F) in subsection (d)(5), by striking “each place it appears”; and

(G) by adding at the end of subsection (d) the following new paragraph:

“(7) Section 1833(b) (42 U.S.C. 13951(b)) is amended by adding at the end the following new sentence: ‘The deductible under the previous sentence for blood or blood cells furnished an individual in a year shall be reduced to the extent that a deductible has been imposed under section 1813(a)(2) to blood or blood cells furnished the individual in the year.’”.

(4) SECTION 201.—Section 201(a)(1)(A) of MCCA is amended by striking “subsection” and inserting “subsections”.

(5) SECTION 202.—(A) Section 1842(o)(1) of the Social Security Act, as added by section 202(c)(1)(C) of MCCA, is amended—

(i) in subparagraph (A)(i), by striking “subparagraph (D)(i)” and inserting “paragraph (4)”, and

(ii) in subparagraph (B)(ii), by inserting “an” before “eligible organization”.

(B) Section 1842(f)(3) of the Social Security Act, as added by section 202(e)(1) of MCCA, is amended by inserting “, including claims processing functions” after “and related functions”.

(C) Section 1842(b)(3)(K) of the Social Security Act, as added by section 202(e)(2)(B) of MCCA, is amended by inserting “, including claims processing functions,” after “and for related functions”.

(D) Section 1842(c)(1)(A)(ii) of the Social Security Act, as added by section 202(e)(3)(A)(iii) of MCCA, is amended by inserting “, including claims processing functions” after “and related functions”.

(E) Section 202(e)(3)(B) of MCCA is amended by inserting “, including claims processing functions” after “and related functions”.

(F) Section 202(e)(3)(C) of MCCA is amended by striking “Section 1842(b)(2)” and inserting “Section 1842(b)(2)(A)”.

(G) Section 1842(b)(2)(A) of the Social Security Act, as amended by section 202(e)(3)(C) of MCCA, as revised by the previous amendment, is amended by inserting “, including claims processing functions” after “and related functions”.

(H) Section 202(e)(5)(A) of MCCA is amended by—

(i) by striking “paragraph (3)” and inserting “paragraph (4)”, and

(ii) by adding "and" after the semicolon at the end.

(I) Section 1847(b)(3) of the Social Security Act, as added by section 202(j) of MCCA, is amended by striking "the contingency margin (established under section 1841A(d) for the following year)" and inserting "the contingency margin required for the following year".

(6) SECTION 203.—(A) Section 1861 of the Social Security Act is amended by adding immediately before subsection (jj), as added by section 203(b) of MCCA, the following new heading:

"Home Intravenous Drug Therapy Services".

(B) Section 203(c)(3) of MCCA is amended by adding at the end the following new sentence: "Chapter 35 of title 44, United States Code, shall not apply to information required for purposes of carrying out this paragraph."

(7) SECTION 205.—Section 205(e)(1)(A) of MCCA is amended by redesignating clause (iv) as clause (iii).

(8) SECTION 208.—The second sentence of section 208(b) of MCCA is amended by striking "shall include in the report" and inserting "shall report, not later than 2 years after the date of the enactment of this Act,".

(9) SECTION 211.—(A) Section 1839(g) of the Social Security Act, as added by section 211(a) of MCCA, is amended—

(i) in paragraph (1)(B)(iii)(I), by striking "and" and inserting "over",

(ii) in paragraph (1)(B)(iii)(II), by inserting "premium" after "supplemental", and

(iii) in paragraph (7)(A)(ii), by inserting "each" before "such year,".

(B) Section 1839(f) of the Social Security Act, as amended by section 211(b) of MCCA, is amended by striking "for that January below the amount of benefits payable for that individual for that December" and inserting "for that December below the amount of benefits payable for that individual for that November".

(10) SECTION 212.—(A) Section 1841A(a)(1) of the Social Security Act, as amended by section 212(a) of MCCA, is amended by striking "1841(j)" and inserting "1840(i)".

(B) Section 1840(i) of the Social Security Act, as added by section 212(b)(1) of MCCA, is amended by striking "Supplemental" and inserting "Supplementary".

(11) SECTION 213.—Section 213 of MCCA is amended by striking "(a) IN GENERAL.—".

(12) SECTION 221.—Section 221(g)(2) of MCCA is amended by striking "subsection (c)" and inserting "subsection (d)".

(13) SECTION 222.—Section 222 of MCCA is amended—

(A) in paragraph (1), by striking "sections 1833(a)(1)(A) and 1876" and inserting "section 1876", and

(B) in paragraph (2), by inserting "and organizations paid under section 1833(a)(1)(A) of such Act" after "organizations".

(14) SECTION 301.—Section 301 of MCCA is amended—

(A) in subsection (b)(1), by striking "clause (ii)" and inserting "subparagraph (B)" and by adding "and" at the end;

(B) by striking paragraph (2) of subsection (b) and by redesignating paragraph (3) of such subsection as paragraph (2);

(C) in subsection (b)(2), as so redesignated, by striking "by adding at the end the following new clause" and inserting "by striking subparagraph (B) and inserting the following";

(D) in the matter inserted by subsection (b)(2), as so redesignated and amended—

(i) by redesignating subclauses (I) through (IV) of clause (ii) and subclauses (I) through (V) of clause (iii) as clauses (i) through (iv) of subparagraph (B) and clauses (i) through (v) of subparagraph (C), respectively;

(ii) in subparagraph (B), as so redesignated, by striking "in clause (iii)" and inserting "in subparagraph (C)";

(iii) in subparagraph (C), as so redesignated, by striking "under clause (ii)" and inserting "under subparagraph (B)";

(E) in subsection (c)—

(i) by adding "and" at the end of paragraph (1),

(ii) by striking "; and" at the end of paragraph (2), and inserting a period, and

(iii) by striking paragraph (3);

(F) in subsection (d)(2), in the subparagraph (C) amended by such paragraph, by inserting "section" before "1833(b)";

(G) in subsection (d)—

(i) by redesignating paragraphs (1) through (3) as paragraphs (2) through (4), respectively, and

(ii) by inserting before paragraph (2), as so redesignated, the following new paragraph:

"(1) in paragraph (3), by inserting 'without regard to whether the costs incurred were for items and services for which medical assistance is otherwise available under the plan' after 'qualified medicare beneficiary' the first place it appears;";

(H) in subsection (e)(1)—

(i) by inserting "(A)" before "Section", and

(ii) by adding at the end the following new subparagraph:

"(B) Subsection (h)(1) of such section is further amended by inserting '(A)' after 'include' and by inserting before the period at the end the following: 'or (B) qualified medicare beneficiaries (as defined in section 1905(p)(1))'.";

(I) in subsection (e)(2)—

(i) in subparagraph (C), by striking "and" at the end and by redesignating such subparagraph as subparagraph (D);

(ii) in subparagraph (D), by striking the period at the end and inserting "and" and by redesignating such subparagraph as subparagraph (E); and

(iii) by inserting after subparagraph (B) the following new subparagraph:

"(C) in subsection (a), by striking paragraph (15);";

(J) in paragraph (5)(B) of the matter added by subsection (g)(2)—

(i) by striking "paragraph (2)(A)" and inserting "paragraph (2)", and

(ii) by striking "clause (ii)" and inserting "subparagraph (B)"; and

(K) in subsection (h)(2), by inserting "first calendar quarter beginning after the close of the" after "additional requirements before the first day of the".

(15) SECTION 302.—(A) Section 302(a)(2)(B) of MCCA is amended—

(i) in clause (i), by striking "not more" and inserting "(not more)", and

(ii) in clause (iii), by striking "clause" and inserting "clauses".

(B) Section 1902(l)(2)(A) of the Social Security Act, as added by section 302(a)(2)(B)(iii) of MCCA, is amended—

(i) in clause (ii)—

(I) by striking "Subject to clause (iii), the" and inserting "The",

(II) in subclause (I), by inserting "or, if greater, the percentage provided under clause (iii)," after "75 percent,"; and

(ii) in clause (iii), by striking "(ii)" each place it appears and inserting "(i)(I)".

(C) Section 1923(a)(2) of the Social Security Act is amended by indenting the subparagraph (C) added by section 302(b)(2) of MCCA 2 ems.

(16) SECTION 303.—(A) Section 1924 of the Social Security Act, as inserted by section 303(a)(1)(B) of MCCA, is amended—

(i) in the last sentence of subsection (c)(1)(B), by striking "has a right to a fair hearing" and all that follows through "needs allowance" and inserting "will have a right to a fair hearing under subsection (e)(2)";

(ii) in subsection (c)(2)(B), by striking "resources shall not" and all that follows through "does not exceed" and inserting "resources shall be considered to be available to an institutionalized spouse, but only to the extent that the amount of such resources exceeds";

(iii) in subsection (d)(3)(A)(i), by striking "nonfarm";

(iv) in subsection (d)(4), by striking "subparagraph (C)" and inserting "subparagraph (B)";

(v) in the first sentence of subsection (e)(2)(A), by inserting before the period at the end the following: "if an application for benefits under this title has been made on behalf of the institutionalized spouse";

(vi) in subsection (f)(1)—

(I) by striking "to the community spouse (or to another for the sole benefit of the community spouse)", and

(II) by striking "pacticable" and inserting "practicable"; and

(vii) in subsection (f)(3), by striking "spouse of a family member" and inserting "spouse or a family member".

(B) Section 1917(c) of the Social Security Act, as amended by section 303(b) of MCCA, is amended—

(i) in paragraph (1)—

(I) by inserting "for nursing facility services and for a level of care in a medical institution equivalent to that of nursing facility services and for services under section 1915(c)" after "period of ineligibility" the first place it appears,

(II) by inserting "or after" after "during",

(III) by striking "the individual's application for medical assistance under the State plan" and inserting "the date the individual becomes an institutionalized individual (if the individual is entitled to medical assistance under the State plan on such date) or, if the individual is not so entitled, the date the individual applies for such assistance while an institutionalized individual",

(ii) in paragraph (2)(A)(ii), by inserting "(I)" after "who" and by inserting "(II)" after "or" the first place it appears;

(iii) in paragraph (2)(A)(iii), by striking "of the individual's admission to the medical institution or nursing facility" and inserting "the individual becomes an institutionalized individual",

(iv) in paragraph (2)(A)(iv), by striking "of such individual's admission to the medical institution or nursing facility" and inserting "the individual becomes an institutionalized individual",

(v) in paragraph (2)(B)—

(I) by inserting "(i)" after "transferred", and

(II) by striking "or the individual's child who is blind or permanently and totally disabled" and inserting " (i) to the individual's child described in subparagraph (A)(ii)(II), or (iii) to (or to another for the sole benefit of) the individual's spouse if such spouse does not transfer such resources to another person other than the spouse for less than fair market value";

(vi) in paragraph (3), by striking "in a medical institution or nursing facility" and inserting "in a nursing facility, who is an inpatient in a medical institution and with respect to whom payment is made based on a level of care provided in a nursing facility, or who is described in section 1902(a)(10)(A)(ii)(VI)"; and

(v) by adding at the end the following new paragraph:

"(5) In this subsection, the term 'resources' has the meaning given such term in section 1613, without regard to the exclusion described in subsection (a)(1) thereof."

(C) Section 1902(r)(2)(A) of the Social Security Act, as added by section 303(e)(5)(C) of MCCA, is amended by striking "or under subsection (f)" and inserting "or (f) or under section 1905(p)".

(D) Section 303 of MCCA is amended—

(i) in paragraph (2)(B), by inserting before the period at the end the following: “, except that such section shall not apply with respect to inter-spousal transfers occurring before October 1, 1989”;

(ii) in paragraph (2)(C), by inserting before the period at the end the following: “, and the laws and policies established by the State as of June 30, 1988, or provided for before July 1, 1988, shall continue to apply through September 30, 1989, (and may, at a State’s option continue after such date) to inter-spousal transfers occurring before October 1, 1989”; and

(iii) in paragraph (5), by striking “other than subsection (e)” and inserting “other than paragraphs (1) and (5) of subsection (e)”.

(17) SECTION 411(a).—Section 1842(n)(1)(A) of the Social Security Act, as clarified by section 411(a)(3)(C) of MCCA, is amended by striking “the the supplier’s” and inserting “the supplier’s”.

(18) SECTION 411(b).—(A) Subclauses (III) and (IV) of section 1886(b)(3)(B)(i) of the Social Security Act, as amended by section 411(b)(1)(A) of MCCA, are amended by striking “for for hospitals” and inserting “for hospitals”.

(B) Section 411(b)(1)(E) of MCCA is amended by designating subparagraph (E) as clause (ii) and by inserting immediately before such subparagraph the following:

“(E)(i) Section 1886(d)(3)(A)(i) of the Social Security Act, as amended by section 4002(c)(1)(B)(i) of OBRA, is amended by striking ‘occurring’ and inserting ‘occurring’.”.

(C) Section 411(b)(4) of MCCA is amended by adding at the end the following new subparagraph:

“(E) Section 4005(b)(3)(B) of OBRA is amended by striking ‘on’ after ‘(B)’.”.

(D) Section 411(b)(6)(C) of MCCA is amended—

(i) in clause (ix)(I), by striking “payors” and inserting “payers”,

(ii) in clause (ix)(III), by striking “and” before “other persons”, and

(iii) in clause (x)(II), by striking “operation” and inserting “operations”.

(E) Section 411(b)(8)(A)(i) of MCCA is amended, in paragraph (1)(A)(ii) of the amendment inserted by such section, by inserting “the” immediately before “previous”.

(19) SECTION 411(c).—Section 411(c) of MCCA is amended—

(A) in paragraph (2), by adding at the end the following new subparagraph:

“(C) Section 1866(a)(1) of the Social Security Act, as amended by section 4012(a) of OBRA, is amended—

“(i) by striking ‘and’ at the end of subparagraph (M), and

“(ii) by striking the period at the end of subparagraph (N) and inserting ‘, and’.”;

(B) in paragraph (4)—

(i) by striking “and” at the end of subparagraph (A),

(ii) by redesignating subparagraph (B) as subparagraph (C), and

(iii) by inserting after subparagraph (A) the following new subparagraph:

“(B) in subparagraph (B)(i), by inserting ‘of such subparagraph’ after ‘(v)(I), and’; and

(C) by redesignating paragraph (5) as paragraph (6) and by inserting after paragraph (4) the following new paragraph:

“(5) SECTION 4015.—Section 4015(a) of OBRA is amended—

“(A) in the first sentence of paragraph (7) by striking ‘the the’ and inserting ‘the’, and

“(B) in paragraph (10), by striking ‘affect’ and inserting ‘effect’.”

(20) SECTION 411(d).—(A) Section 411(d)(2)(A) of MCCA is amended by striking “by inserting” and all that follows and inserting the following: “to read as follows: ‘The provisions of section 1128A (other than subsections (a) and (b)) shall apply to a civil money penalty under this paragraph in the same manner as such provisions apply to a penalty or proceeding under section 1128A.’”

(B) Section 411(d)(4)(A) of MCCA is amended—

(i) in clause (i)—

(I) by striking “accreditation” the first place it appears and inserting “certification”, and

(II) by striking “accreditation survey conducted by a State agency or” and inserting “certification survey conducted by a State agency or accreditation survey conducted by a”; and

(ii) in clause (ii), amend subclause (II) to read as follows:

“(II) by striking ‘pursuant to an agreement with the Secretary under section 1864’ and inserting ‘utilized by the Secretary under section 1865’.”

(C) Section 411(d)(4)(A)(ii)(I) of MCCA is amended by striking “such”.

(D) The subsection inserted by section 411(d)(4)(B)(ii) of MCCA is amended by striking “agency” and inserting “agency”.

(21) SECTION 411(f).—(A) Section 1842(i)(3) of the Social Security Act, as redesignated by section 4042(b)(1)(C)(iii) of OBRA as amended by section 411(f)(2)(C) of MCCA, is amended by striking “paragraph (3)” and inserting “subsection (b)(3)”.

(B) Section 411(f)(2)(F)(i) of MCCA is amended, in the matter inserted by such section—

(i) by striking “139u(b)(4)(A)” and inserting “1395u(b)(4)(A)”, and

(ii) by striking the closing single quotation mark and the period that follows it.

(C) Section 411(f)(8)(D) of MCCA is amended by redesignating clauses (ii) through (v) as clauses (iii) through (vi), respectively, and by inserting after clause (i) the following new clause:

“(ii) in paragraph (4)(C), by striking ‘Radiologist’ and inserting ‘For radiologist’, and by striking ‘1842(b)(4)(E)(ii)’ and inserting ‘1842(i)(3)’.”

(D) Section 411(f)(9)(B) of MCCA is amended by inserting “and inserting ‘(or other applicable limit)’ ” before the semicolon at the end.

(E) Section 411(f)(10)(A)(iii) of MCCA is amended by striking "physician" and inserting "individual".

(F) Section 411(f)(10)(C)(i) of MCCA is amended—

(i) by striking "and" at the end of subclause (V),

(ii) by striking the period at the end of subclause (VI) and inserting "and", and

(iii) by adding at the end the following new subclause:

"(VII) in subsection (d)(2), by striking 'continued' and inserting 'continues'."

(G) Subclause (II) of section 411(f)(10)(C)(i) of MCCA is amended to read as follows:

"(II) by striking 'physician' and 'a physician' each place either appears (other than the third place either appears in subsection (a)(4)) and inserting 'individual' and 'an individual', respectively;"

(H) Section 411(f)(10)(C)(i)(IV) of MCCA is amended—

(i) by striking "paragraph (1)(A)" and inserting "subsection (a)(1)(A)", and

(ii) by striking the comma after "Loan Program".

(22) SECTION 411(g).—(A) Section 411(g)(1)(B) of MCCA is amended—

(i) by amending clause (xi) to read as follows:

"(xi) in paragraphs (8)(B) and (9)(B), by striking '(as defined in section 1886(d)(2)(D))' and inserting '(as defined by the Secretary)' and, in clause (i) of such paragraphs, by striking the comma after '1991';" and

(ii) by amending clause (xv) to read as follows:

"(xv) in paragraph (12), by striking 'for each region (as defined in section 1886(d)(2)(D))' and inserting 'for one or more entire regions defined for purposes of paragraphs (8)(B) and (9)(B); and'."

(B) Section 1833(i)(6) of the Social Security Act, as added by section 4063(e)(1) of OBRA as amended by section 411(g)(2)(E) of MCCA, is amended by striking "other than" and inserting "including".

(C) Section 411(g)(3)(G)(i)(I) of MCCA is amended by striking "and 'certification'" and by striking "and 'approval', respectively".

(D) Section 411(g)(4)(C)(i) of MCCA is amended striking the comma after "1988" the first place it appears.

(23) SECTION 411(h).—(A) Section 411(h)(3)(B) of MCCA is amended by redesignating clauses (i) and (ii) as clauses (ii) and (iii), respectively, and by inserting before clause (ii), as so redesignated, the following new clause:

"(i) by striking '1995' and inserting '1995l';"

(B) Section 1861(s)(2)(K)(i)(I) of the Social Security Act, as designated by the amendment made by section 411(h)(6) of MCCA, is amended by striking "intermediate care facility (as defined in section 1905(c))" and inserting "nursing facility (as defined in section 1919(a))".

(24) SECTION 411(i).—(A) Section 411(i)(1)(E) of MCCA is amended by striking the comma after "1988".

(B) The paragraph (26) inserted by section 411(i)(4)(C)(vi) of MCCA is amended—

- (i) by striking "and" at the end of subparagraph (A),
 - (ii) by adding "and" at the end of clause (i) of subparagraph (B), and
 - (iii) by redesignating clause (iii) of subparagraph (B) as subparagraph (C) and by moving the indentation of such subparagraph 2 ems to the left.
- (C) Section 411(i)(4) of MCCA is amended—
- (i) in subparagraph (D)(i)(I), by striking ", 1842(j)(2), or 1867(d)" and inserting "or 1842(j)(2)", and
 - (ii) in subparagraph (D)(ii)—
 - (I) by inserting "and" at the end of subclause (III),
 - (II) by striking subclause (IV), and
 - (III) by redesignating subclause (V) as subclause (IV).
- (25) SECTION 411(j).—(A) Section 411(j)(3) of MCCA is amended by adding at the end the following new subparagraph:
- "(C) Section 4094(e) of OBRA is amended by striking 'feasability' and inserting 'feasibility'."
- (B) Section 411(j)(4)(C) of MCCA is amended by striking "before 'paragraph (2)'".
- (26) SECTION 411(k).—(A) Section 411(k)(6)(A)(vi)(IV) of MCCA is amended by striking "the election made by a State under" and inserting "whether the hospital is described in subparagraph (A) or (B) of".
- (B) Section 411(k)(6)(A)(vii)(II) of MCCA is amended by inserting "the first place it appears" before the comma.
- (C) The paragraph added by section 411(k)(6)(A)(vii)(III) of MCCA is amended by striking "Statewide" and inserting "statewide".
- (D) Section 1923(b)(3)(B)(i) of the Social Security Act, as redesignated by section 411(k)(6)(B)(i) of MCCA and as amended by section 411(k)(6)(A)(v) of MCCA, is amended by inserting "of subparagraph (A)" after "clause (i)(II)".
- (E) Section 1923(c) of the Social Security Act, as designated by section 411(k)(6)(B)(i) of MCCA, by striking "subsection (c)" and inserting "this subsection".
- (F) Section 411(k)(6)(B)(vi) of MCCA is amended by striking "(c)" and inserting "(d)".
- (G) Section 411(k)(9) of MCCA is amended by striking "(A)" immediately after "—".
- (H) Section 411(k)(10)(B)(ii)(II) of MCCA is amended by striking "1128(a)" and "1320a-7(a)" and inserting "1128A(a)" and "1320a-7a(a)", respectively.
- (I) Section 1128A(l) of the Social Security Act, as added by section 4118(e)(1)(B) of OBRA and as amended by section 411(k)(10)(B)(ii)(III) of MCCA, is amended by inserting "for penalties, assessments, and an exclusion" after "liable".
- (J) Section 4118(e)(10)(C) of OBRA, as added by section 411(k)(10)(D) of MCCA, is amended by inserting "of subsection (i)" after "at the end".
- (K) Section 411(k)(10)(D) of MCCA is amended—
- (i) in the paragraph (6)(B) inserted by such section, by striking "or section 1867(d)(2)", and
 - (ii) in subparagraphs (A) and (B) of the paragraph (11) inserted by such section and in the paragraphs (12) and (13)

inserted by such section, by striking "1842(j)(2), or 1867(d)(2)" and inserting "or 1842(j)(2)".

(L) Section 411(k)(16)(B) of MCCA is amended—

(i) by striking "and" at the end of clause (ii),

(ii) by redesignating clause (iii) as clause (iv), and

(iii) by inserting after clause (ii) the following new clause:

"(iii) in clause (iii), by striking the period at the end and inserting '; or, and'".

(M) Section 411(k)(17)(A)(iv) of MCCA is amended by inserting a comma immediately before "(d)" the second place it appears.

(27) SECTION 411(l).—(A) Section 411(l)(1)(A) of MCCA is amended by redesignating clauses (iv) through (xi) as clauses (v) through (xii), respectively, and by inserting after clause (iii) the following new clause:

"(iv) in subsection (c)(1), by adding at the end the following new subparagraph:

"(D) USE OF PSYCHOPHARMACOLOGIC DRUGS.—Psychopharmacologic drugs may be administered only on the orders of a physician and only as part of a plan (included in the written plan of care described in paragraph (2)) designed to eliminate or modify the symptoms for which the drugs are prescribed and only if, at least annually, an independent, external consultant reviews the appropriateness of the drug plan of each resident receiving such drugs.'".

(B) Section 411(l)(1) of MCCA is amended by adding at the end the following new subparagraph:

"(C) Section 4201(d) of OBRA, as amended by subparagraph (B), is further amended by adding at the end the following new paragraphs:

"(3) Section 1883(f) of such Act (42 U.S.C. 1395tt(f)) is amended by striking "section 1861(j)(15)" and inserting "section 1819".

"(4) The third sentence of section 1864(a) of such Act (42 U.S.C. 1395aa(a)) is amended by striking "1861(j)" and inserting "1819(a)".

"(5) Section 1861(n) of such Act (42 U.S.C. 1395x(n)) is amended by striking "or (j)(1) of this section" and inserting "of this section or section 1819(a)(1)".

(C) Section 411(l)(2)(A) of MCCA is amended by inserting a comma immediately after "this title" and immediately after "title XVIII".

(D) Section 411(l)(2)(D)(i) of MCCA is amended by striking "care".

(E) Section 411(l)(3)(C) of MCCA is amended by inserting "(i)" after "(C)" and by adding at the end the following new clauses:

"(ii) Section 4211 of OBRA (101 Stat. 1330-196) is amended by striking the following (and the immediately preceding quotation marks and period):

"(c) STATE REQUIREMENTS RELATING TO NURSING FACILITY REQUIREMENTS.—Section 1919 of such Act is further amended by adding at the end the following new subsection:'

"(iii) Section 1919(c)(2)(B)(iii)(III) of the Social Security Act, as inserted by section 4211(a)(3) of OBRA, is amended by striking 'responsible' and inserting 'responsible'".

(F) Section 411(l)(3)(H)(i) of MCCA is amended by striking "each place it appears".

(G) Section 411(l)(3)(H)(iii) of MCCA is amended by inserting "services" immediately after "nursing facility" the first place it appears.

(H) Section 411(l)(3) of MCCA is amended by adding at the end the following new subparagraph:

"(J) Section 4211(h)(2)(B) of OBRA is amended by inserting a comma before 'nursing facility,' the second place it appears."

(I) Section 411(l)(5) of MCCA is amended by redesignating subparagraphs (F) and (G) as subparagraphs (G) and (H), respectively, and by inserting after subparagraph (E) the following new subparagraph:

"(F) in paragraph (2)(B)(ii), by striking 'practical' and inserting 'practicable';".

(J) Section 411(l)(6) of MCCA is amended by adding at the end the following new subparagraph:

"(F) Section 1910(b)(1) of the Social Security Act, as redesignated by section 4212(e)(3)(C) of OBRA, is amended by inserting 'or section 1919' after '1902(a)(28)'."

(K) Section 411(l)(9)(B)(ii) of MCCA is amended by striking "(c) as subsection (d)" and inserting "(b) as subsection (c)".

(L) Section 411(l) of MCCA is further amended by adding at the end the following new paragraph:

"(11) SECTION 4203.—Section 1819(h)(5) of the Social Security Act, as added by section 4203(a)(2) of OBRA, is amended by striking '(iii), and (iv) of paragraph (2)(A)' and inserting 'and (iii) of paragraph (2)(B)'."

(28) SECTION 411(n).—Section 411(n) of MCCA is amended by redesignating paragraph (3) as paragraph (4) and by inserting after paragraph (2) the following new paragraph:

"(3) SECTION 9116.—Subsection (d) of section 9116 of OBRA is amended to read as follows:—

"(d) CONFORMING AMENDMENT.—Section 1923(a)(2) of the Social Security Act, as amended by section 4118(p)(9) of this Act, is amended by adding at the end the following new subparagraph:

"(E) Section 1634(d) of this Act (relating to individuals who lose eligibility for SSI benefits due to entitlement to early widow's or widower's insurance benefits under section 202(e) or (f) of this Act)." "

(29) SECTION 411(p).—Section 411 of MCCA is amended by adding at the end the following new subsection:

"(p) MISCELLANEOUS.—Section 2312(c) of the Deficit Reduction Act of 1984, as amended by section 9320(a) of the Omnibus Budget Reconciliation Act of 1986, is amended by striking 'end' and inserting 'ends'."

(30) SECTION 428.—(A) Subsection (c)(1) of section 1140 of the Social Security Act, as added by section 428(a) of MCCA, is amended to read as follows:

"(c)(1) The provisions of section 1128A (other than subsections (a), (b), (f), (h), and (i)) shall apply to civil money penalties under subsection (b) in the same manner as such provisions apply to a penalty or proceeding under section 1128A(a)." "

(B) Section 428(b) of MCCA is amended by striking "MEDICAL" and inserting "MEDICARE".

(e) **EXTENSION OF PILOT PROGRAM.**—The Secretary of Health and Human Services shall extend through December 31, 1989, the pilot test program, being conducted by States under the Annual Grant Award Study established by the Joint State/Federal Cash Management Reform Task Force, on the same terms and conditions that existed as of September 30, 1988.

(f) **MISCELLANEOUS CORRECTIONS.**—

(1) Section 1866 of the Social Security Act (42 U.S.C. 1395cc) is amended by striking subsection (f).

(2) Section 1915(a)(2) of the Social Security Act, as amended by section 8(h)(2) of Public Law 100-93, is amended by striking “Restricts” and inserting “restricts”.

(3) Section 1905(o) of the Social Security Act is amended by moving the indentation of paragraph (3), as added by section 9435(b)(2) of Public Law 99-509, 2 ems to the left.

(4) Section 1903(m)(2)(B)(i)(II) of the Social Security Act is amended by striking “1902(a)(13)(A)(ii)” and inserting “1902(a)(10)(D)”.

(5) Effective as of the date of the enactment of Public Law 95-292, section 226(a) of the Social Security Act (42 U.S.C. 426(a)) is amended by striking “condition specified in paragraph (1)” and inserting “condition specified in paragraph (2)”.

(g) **EFFECTIVE DATE.**—(1) The amendments made by subsections (a), (b), and (d) shall be effective as if included in the enactment of the Medicare Catastrophic Coverage Act of 1988.

(2) The amendments made by subsection (c) and subsection (f) (other than paragraph (5)) shall take effect on the date of the enactment of this Act.

(h) **QUALITY CONTROL TRANSITION.**—There shall not be taken into account, for purposes of section 1903(u) of the Social Security Act, payments and expenditures for medical assistance which are made on or after January 1, 1989, and before July 1, 1989, and which are attributable to medicare-cost sharing for qualified medicare beneficiaries (as defined in section 1905(p) of such Act).

SEC. 609. EXTENSION OF QUALITY CONTROL PENALTY MORATORIUM.

(a) **MORATORIUM EXTENDED.**—Section 403 of the Social Security Act (as amended by section 201(c)(2) of this Act) is further amended by adding at the end the following new subsection:

“(1)(1) During the 12-month period beginning on July 1, 1988 (in this subsection referred to as the ‘moratorium period’), the Secretary shall not impose any reductions in payments to States pursuant to subsection (i) (or prior regulations), or pursuant to any comparable provision of law relating to the programs under this part in Puerto Rico, Guam, the Virgin Islands, American Samoa, or the Northern Mariana Islands.

“(2) During the moratorium period—

“(A) the Secretary and the States shall continue to operate the quality control systems in effect under this part, and to calculate the error rates under the provisions referred to in paragraph (1), including the process of requesting and reviewing waivers; and

“(B) the Departmental Grant Appeals Board shall, notwithstanding paragraph (1), review disallowances for fiscal year

1981 and thereafter and hear appeals with respect thereto (but collection of disallowances owed as a result of Departmental Grant Appeals Board decisions shall not occur).".

(b) **CONFORMING AMENDMENTS.**—(1) Subparagraph (A) of section 12302(c)(1) of the Consolidated Omnibus Budget Reconciliation Act of 1985 (Public Law 99-272) is amended by striking "titles IV-A and" and inserting in lieu thereof "title".

(2) Paragraph (1) of section 12302(c) of such Act is repealed.

(c) **EFFECTIVE DATE.**—The amendments made by subsections (a) and (b) shall take effect on July 1, 1988.

TITLE VII—FUNDING PROVISIONS

SEC. 701. TEMPORARY EXTENSION OF PROVISIONS RELATING TO COLLECTION OF NONTAX DEBTS OWED TO FEDERAL AGENCIES.

(a) **GENERAL RULE.**—Subsection (c) of section 2653 of the Deficit Reduction Act of 1984 is amended by striking "before July 1, 1988" and inserting "on or before January 10, 1994".

(b) **COORDINATION OF DISCLOSURE PROVISIONS.**—

(1) **IN GENERAL.**—Paragraph (10) of section 6103(l) of the Internal Revenue Code of 1986 (relating to disclosure of certain information to agencies requesting a reduction under section 6402(c) or 6402(d)) is amended to read as follows:

"(10) **DISCLOSURE OF CERTAIN INFORMATION TO AGENCIES REQUESTING A REDUCTION UNDER SECTION 6402(c) OR 6402(d).**—

"(A) **RETURN INFORMATION FROM INTERNAL REVENUE SERVICE.**—The Secretary may, upon receiving a written request, disclose to officers and employees of any agency seeking a reduction under subsection (c) or (d) of section 6402—

"(i) taxpayer identity information with respect to the taxpayer against whom such a reduction was made or not made and with respect to any other person filing a joint return with such taxpayer,

"(ii) the fact that a reduction has been made or has not been made under such subsection with respect to such taxpayer,

"(iii) the amount of such reduction,

"(iv) whether such taxpayer filed a joint return, and

"(v) the fact that a payment was made (and the amount of the payment) to the spouse of the taxpayer on the basis of a joint return.

"(B) **RESTRICTION ON USE OF DISCLOSED INFORMATION.**—

Any officers and employees of an agency receiving return information under subparagraph (A) shall use such information only for the purposes of, and to the extent necessary in, establishing appropriate agency records, locating any person with respect to whom a reduction under subsection (c) or (d) of section 6402 is sought for purposes of collecting the debt with respect to which the reduction is sought, or in the defense of any litigation or administrative procedure ensuing from a reduction made under subsection (c) or (d) of section 6402."

(2) **CONFORMING AMENDMENTS.**—

(A) Subsection (l) of section 6103 of such Code is amended by striking paragraph (11) and by redesignating paragraph (12) as paragraph (11).

(B) Paragraphs (3)(A) and (4) of section 6103(p) of such Code are each amended by striking "(10), (11), or (12)" each place it appears and inserting "(10), or (11)".

(C) Paragraph (2) of section 7213(a) of such Code is amended by striking "(9), (10), or (11)" and inserting "(9), or (10)".

(3) EFFECTIVE DATES.—

(A) **IN GENERAL.**—The amendments made by this subsection shall take effect on the date of the enactment of this Act.

(B) **SPECIAL RULE.**—Nothing in section 2653(c) of the Deficit Reduction Act of 1984 shall be construed to limit the application of paragraph (10) of section 6103(l) of the Internal Revenue Code of 1986 (as amended by this subsection).

SEC. 702. LIMITATION ON USE OF REIMBURSEMENT ARRANGEMENTS TO AVOID 2-PERCENT FLOOR.

(a) **GENERAL RULE.**—Section 62 of the Internal Revenue Code of 1986 (defining adjusted gross income) is amended by adding at the end thereof the following new subsection:

"(c) **CERTAIN ARRANGEMENTS NOT TREATED AS REIMBURSEMENT ARRANGEMENTS.**—For purposes of subsection (a)(2)(A), an arrangement shall in no event be treated as a reimbursement or other expense allowance arrangement if—

"(1) such arrangement does not require the employee to substantiate the expenses covered by the arrangement to the person providing the reimbursement, or

"(2) such arrangement provides the employee the right to retain any amount in excess of the substantiated expenses covered under the arrangement.

The substantiation requirements of the preceding sentence shall not apply to any expense to the extent that substantiation is not required under section 274(d) for such expense by reason of the regulations prescribed under the 2nd sentence thereof."

(b) **EFFECTIVE DATE.**—The amendment made by subsection (a) shall apply to taxable years beginning after December 31, 1988.

SEC. 703. MODIFICATIONS TO DEPENDENT CARE CREDIT AND EXCLUSION FOR DEPENDENT CARE ASSISTANCE.

(a) **REDUCTION IN MAXIMUM AGE OF NONHANDICAPPED QUALIFYING INDIVIDUAL.**—Subsections (b)(1)(A) and (e)(5)(B) of section 21 of the Internal Revenue Code of 1986 are each amended by striking "age of 15" and inserting "age of 13".

(b) **LIMITATION ON CREDIT REDUCED BY AMOUNT OF EXCLUSION.**—Subsection (c) of section 21 of such Code is amended by adding at the end thereof the following new sentence:

"The amount determined under paragraph (1) or (2) (whichever is applicable) shall be reduced by the aggregate amount excludable from gross income under section 129 for the taxable year."

(c) **REQUIREMENT OF FURNISHING IDENTIFYING INFORMATION WITH RESPECT TO SERVICE PROVIDER.**—

(1) **CREDIT.**—Subsection (e) of section 21 of such Code is amended by adding at the end thereof the following new paragraph:

“(9) **IDENTIFYING INFORMATION REQUIRED WITH RESPECT TO SERVICE PROVIDER.**—No credit shall be allowed under subsection (a) for any amount paid to any person unless—

“(A) the name, address, and taxpayer identification number of such person are included on the return claiming the credit, or

“(B) if such person is an organization described in section 501(c)(3) and exempt from tax under section 501(a), the name and address of such person are included on the return claiming the credit.

In the case of a failure to provide the information required under the preceding sentence, the preceding sentence shall not apply if it is shown that the taxpayer exercised due diligence in attempting to provide the information so required.”

(2) **EXCLUSION.**—Subsection (e) of section 129 of such Code is amended by adding at the end thereof the following new paragraph:

“(9) **IDENTIFYING INFORMATION REQUIRED WITH RESPECT TO SERVICE PROVIDER.**—No amount paid or incurred by an employer for dependent care assistance provided to an employee shall be excluded from the gross income of such employee unless—

“(A) the name, address, and taxpayer identification number of the person performing the services are included on the return to which the exclusion relates, or

“(B) if such person is an organization described in section 501(c)(3) and exempt from tax under section 501(a), the name and address of such person are included on the return to which the exclusion relates.

In the case of a failure to provide the information required under the preceding sentence, the preceding sentence shall not apply if it is shown that the taxpayer exercised due diligence in attempting to provide the information so required.”

(3) **CONFORMING AMENDMENT.**—Paragraph (2) of section 6109(a) of such Code is amended by striking “shall furnish” and inserting “or whose identifying number is required to be shown on a return of another person shall furnish”.

(c) **EFFECTIVE DATE.**—The amendments made by this section shall apply to taxable years beginning after December 31, 1988.

SEC. 704. TAXPAYER IDENTIFICATION NUMBER REQUIRED FOR DEPENDENTS WHO HAVE ATTAINED AGE 2.

(a) **GENERAL RULE.**—Paragraph (2) of section 6109(e) of the Internal Revenue Code of 1986 (relating to furnishing number for certain dependents) is amended by striking “age of 5” and inserting “age of 2”.

(b) **EFFECTIVE DATE.**—The amendment made by subsection (a) shall apply to returns the due date for which (determined without regard to extensions) is after December 31, 1989.

And the Senate agree to the same.

Amend the title so as to read:

An Act to revise the AFDC program to emphasize work, child support, and family benefits, to amend title IV of the Social Security Act to encourage and assist needy children and parents under the new program to obtain the education, training, and employment needed to avoid long-term welfare dependence, and to make other necessary improvements to assure that the new program will be more effective in achieving its objectives.

From the Committee on Ways and Means, for consideration of the House bill (except title X), and the Senate amendment (except secs. 203(b)(5), 203(b)(6), 302, 303, 402(d), and 509), and modifications committed to conference:

DAN ROSTENKOWSKI,
TOM DOWNEY,
HAROLD FORD,
DONALD J. PEASE,
BARBARA B. KENNELLY,
GUY VANDER JAGT,
BILL FRENZEL,
HANK BROWN,

From the Committee on Education and Labor, for consideration of title I and secs. 202, 511, and 804 of the House bill, and title II and secs. 502, 503, 506, 507, and 508 of the Senate amendment, and modifications committed to conference:

STEPHEN J. SOLARZ,
JIM JEFFORDS,
STEVE GUNDERSON,
PAUL B. HENRY,

From the Committee on Energy and Commerce, for consideration of title IV of the House bill, and secs. 203(b)(5), 203(b)(6), 302, 303, 402(d), 402(f), 404, 508, 509, 510, and 704 of the Senate amendment, as well as that portion of sec. 201 of the Senate amendment which adds a new sec. 417 (f)(6) to the Social Security Act, and modifications committed to conference:

JOHN D. DINGELL,
HENRY A. WAXMAN,
JAMES H. SCHEUER,
DOUG WALGREN,
RON WYDEN,
WAYNE DOWDY,
ED MADIGAN,
BOB WHITTAKER,
THOMAS J. TAUKE,

From the Committee on Agriculture, for consideration of title X and sec. 801 of the House bill and modifications committed to conference:

E DE LA GARZA,
LEON E. PANETTA,
DAN GLICKMAN,
HARLEY O. STAGGERS, Jr.,

MIKE ESPY,
BILL EMERSON,
TOM LEWIS,
BILL SCHUETTER,
WALLY HERGER,

Managers on the Part of the House.

LLOYD BENTSEN,
DANIEL PATRICK MOYNIHAN,
DAVID PRYOR,
JOHN D. ROCKEFELLER IV,
THOMAS A. DASCHLE,
BOB PACKWOOD,
BOB DOLE,
MALCOLM WALLOP,
WILLIAM L. ARMSTRONG,

Managers on the Part of the Senate.

JOINT EXPLANATORY STATEMENT OF THE COMMITTEE OF CONFERENCE

The managers on the part of the House and the Senate at the conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H.R. 1720) to replace the existing AFDC program with a new Family Support Program which emphasizes work, child support, and need-based family support supplements, to amend title IV of the Social Security Act to encourage and assist needy children and parents under the new program to obtain the education, training, and employment needed to avoid long-term welfare dependence, and to make other necessary improvements to assure that the new program will be more effective in achieving its objectives, submit the following joint statement to the House and the Senate in explanation of the effect of the action agreed upon by the managers and recommended in the accompanying conference report:

The Senate amendment struck out all of the House bill after the enacting clause and inserted a substitute text.

The House recedes from its disagreement to the amendment of the Senate with an amendment which is a substitute for the House bill and the Senate amendment. The differences between the House bill, the Senate amendment, and the substitute agreed to in conference are noted below, except for clerical corrections, conforming changes made necessary by agreements reached by the conferees, and minor drafting and clarifying changes.

TITLE I.—CHILD SUPPORT AND ESTABLISHMENT OF PATERNITY

A. GUIDELINES FOR CHILD SUPPORT AWARD AMOUNTS

(Section 501 of the House bill and section 103 of the Senate amendment.)

1. Voluntary/mandatory use

Present Law

A provision in the 1984 child support amendments requires each State to establish guidelines for child support awards within the State. Guidelines may be established by law or by judicial or administrative action. They must be made available to all judges and other officials who have the power to determine awards, but need not be binding on them.

House Bill

The House bill requires judges and other officials to use the State's guidelines, uniformly applied, as a rebuttable presumption. The presumption may be rebutted by a written finding that the ap-

plication of the guidelines would be unjust or inappropriate in a particular case.

Effective date: First calendar quarter beginning one year or more after enactment.

Senate Amendment

The Senate amendment requires judges and other officials to apply the State's guidelines unless there is a finding, pursuant to criteria established by the State, that there is good cause for not doing so.

Effective date: One year after enactment.

Conference Agreement

The conference agreement follows the House bill with modification. United States judges and other officials must use the States' guidelines, uniformly applied, as a rebuttable presumption. The presumption may be rebutted by a written finding that the application of the guidelines would be unjust or inappropriate in a particular case, as determined under criteria established by the State.

2. Review of State's guidelines

Present Law

No provision.

House Bill

The House bill requires the State to review (and update if necessary) the guidelines at least once every three years.

Effective date: First calendar quarter beginning one year or more after enactment.

Senate Amendment

The Senate amendment requires the State to review the guidelines at least once every five years to ensure that their application results in the determination of appropriate child support award amounts.

Effective date: One year after enactment.

Conference Agreement

The conference agreement requires the State to review guidelines for child support award amounts at least once every four years to insure that their application results in the determination of appropriate child support award amounts.

3. Review of individual awards

Present Law

No provision.

House Bill

The House bill requires the State to review and update all child support orders at least once every two years. Reviews must be in accordance with State due process requirements, including at a minimum the provision to both parties of all information necessary to determine a new award level under the guidelines, and notice and opportunity for a hearing if desired by either party (but nothing in this provision may be construed to require the lowering of any support order fixed by contract between the parties.)

Effective date: First calendar quarter beginning one year or more after enactment.

Senate Amendment

For AFDC cases, the Senate amendment requires the State to submit, no later than one year after enactment, a plan indicating how and when periodic review and adjustment will be performed. No later than 5 years after enactment, the State must review and adjust (as appropriate) awards every 2 years unless it is determined that it would not be in the best interests of the child. In any case, reviews must be made every 2 years if either parent requests review.

For non-AFDC IV-D cases, the Senate amendment requires, beginning one year after enactment, that if the State determines based on State criteria that the award should be reviewed and adjusted, the State must initiate proceedings at least once every 24 months to review and adjust the child support award at the request of either parent. Beginning five years after enactment, the State must provide review every 2 years if either parent requests it, and must notify parents of their right to review.

Effective date: One year after enactment.

Conference Agreement

The conference agreement modifies the House bill and the Senate amendment. Beginning 2 years after enactment, if the State determines (pursuant to a plan indicating how and when periodic review and adjustment of benefits will be performed) that the child support award being enforced under the IV-D program should be reviewed, the State must initiate review and adjust the award at the request of either parent. Review of an AFDC case may also be initiated at the request of the State agency.

Beginning 5 years after enactment, the State must implement a periodic review and adjustment process under which:

- with respect to AFDC cases, the review and adjustment (as appropriate), must occur at least once every 3 years unless it is determined that it would not be in the best interests of the child. In any case, reviews must be made every 3 years if either parent requests review.
- with respect to other IV-D cases, the review and adjustment (as appropriate) must occur at least every three years at the request of either parent.
- the State must notify parents of their right to review.

The Secretary of HHS is required to conduct a study of the impact on child support awards and the courts of requiring periodic review for all other cases. The report would be due within 2 years after enactment.

4. *Demonstrations for evaluating model procedures for reviewing awards*

(Sec. 103(d) of the Senate amendment.)

Present Law

No provision.

House Bill

No provision.

Senate Amendment

The Senate amendment requires that no later than April 1, 1989, the Secretary must enter into an agreement with four States to conduct demonstration projects to test and evaluate model procedures for reviewing child support award amounts. The Senate amendment provides 90% Federal matching for the costs of the demonstrations. Demonstration shall last two years, and shall begin by September 30, 1989.

Effective date: Upon enactment.

Conference Agreement

The conference agreement follows the Senate amendment.

B. ESTABLISHMENT OF PATERNITY

(Section 502 of the House bill and sections 111 and 112 of the Senate amendment.)

1. *Paternity establishment performance standards*

Present Law

Present law requires the Secretary to establish such standards for State programs for locating absent parents, establishing paternity, and obtaining child support as he determines to be necessary to assure that such programs will be effective. States that do not meet Federal performance standards are subject to penalty (as described in item H).

House Bill

The House bill requires that each State have procedures under which the State is required:

(1) to establish paternity for every child in a family receiving AFDC as soon as possible after the child's birth, but in any event before the child's 18th birthday;

(2) to require the child and all other parties in a contested paternity case to submit to genetic tests upon the request of any party; and

(3) to use a 95 percent probability index from blood tests as a rebuttable presumption of paternity.

The above procedures are not required if the mother has been found to have good cause for refusing to cooperate in establishing or collecting support on behalf of an AFDC child. A State shall be deemed to have met the requirement in (1) above in FY 89 if the number of cases in which paternity is established in the State in that year is at least 50 percent higher than the number of cases in 1986, and to have satisfied the requirement in any of the next 4 years if the number of cases in which paternity is established is at least 15 percent higher than the number of cases in the preceding fiscal year.

The House bill encourages each State, in the administration of its IV-D program, to implement a simple civil process for voluntarily acknowledging paternity, and civil procedure for establishing paternity in contested cases.

Effective date: First calendar quarter beginning 1 year or more after enactment.

Senate Amendment

The Senate amendment requires the Secretary to set standards for measuring State performance with respect to the establishment of paternity for children who are receiving AFDC or IV-D child support services. To meet Federal requirements, a State's paternity establishment percentage must be at least 50 percent or it must equal or exceed the average for all States, or have increased by 3 percentage points from FY 1988 to 1991 and by 3 percentage points each year thereafter.

A State's paternity establishment percentage is: the number of children in the State who are born out of wedlock, are receiving cash benefits or IV-D child support services, and for whom paternity has been established, divided by the number of children who are born out of wedlock and are receiving cash benefits or IV-D child support services. A child who is receiving benefits by reason of the death of a parent, or a child with respect to whom a mother is found to have good cause for refusing to cooperate in establishing or collecting support, is excluded from this equation. The Secretary may modify the above requirement so as to take into account additional variables (including the percentage of out-of-wedlock births in a State).

The Senate amendment specifies that the requirements of this provision do not supplant any other requirements established by regulation that are consistent with these requirements.

Effective date: Upon enactment.

Conference Agreement

With respect to performance standards for the establishment of paternity, the conference agreement follows the Senate amendment. The conference agreement adopts the House provision providing that each State require the child and all other parties in a contested paternity case to submit to genetic tests upon the request of any party, with a modification permitting States to charge fees

(established under regulations of the Secretary) to individuals who are not receiving AFDC.

The conference agreement adopts the House provision encouraging civil processes and procedures in paternity cases.

2. Treatment of paternity establishment in determining incentive payments

Present Law

Under present law, each State is eligible to receive a basic incentive payment equal to a minimum of 6% of collections made on behalf of AFDC families, and 6% of collections made on behalf of non-AFDC families. The amount of each State's incentive payment may reach a high of 10% of AFDC collections, plus 10% of non-AFDC collections, depending on the State's ratio of collections to administrative costs. The laboratory costs of blood tests that are used to establish paternity are excluded from the State's administrative costs in determining the State's cost/collection ratios for purposes of determining the amount of incentive payments.

House Bill

The House bill provides that, for purposes of determining a State's incentive payments, child support collections are deemed to be \$100 a month for up to 12 months in every case in which paternity has been established, but collections have not begun or are less than \$100 a month.

Effective date: First calendar quarter beginning one year or more after enactment.

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the Senate amendment (i.e., no provision).

3. Enhanced matching for costs of paternity establishment activities

Present Law

The Federal matching rate for child support administrative costs, including paternity establishment, is 68% in 1988 and 1989, and 66% in 1990 and years thereafter.

House Bill

No provision.

Senate Amendment

The Senate amendment authorizes 90% Federal matching for the costs of laboratory testing to establish paternity.

Effective date: With respect to laboratory costs incurred on or after October 1, 1988.

Conference Agreement

The conference agreement follows the Senate amendment.

4. Requirement to permit paternity establishment for child under 18

Present Law

A provision in the Child Support Enforcement Amendments of 1984 requires each State to have procedures which permit the establishment of paternity of any child at any time prior to the child's 18th birthday. All States have implemented this requirement.

House Bill

The House bill provides that effective August 16, 1984, the provision relating to the establishment of paternity is made applicable to any child for whom paternity has not yet been established and any child for whom a paternity action was brought but dismissed because a statute of limitations of less than 18 years was in effect in the State.

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the House bill.

C. VISITATION/CUSTODY DEMONSTRATION PROJECTS

(Section 503 of the House bill and section 505 of the Senate amendment.)

Present Law

No provision.

House Bill

The House bill allows the Secretary to make grants to any State, in amounts up to \$5 million a year, to assist in financing state demonstration projects to identify problems in connection with visitation by absent parents and to address problems involving child custody, to determine the magnitude of the problems, and to test possible solutions. Projects may not include the non-payment of child support payments pending visitation, and may last no more than three years.

Effective date: First calendar quarter beginning one year or more after enactment.

Senate Amendment

The Senate amendment authorizes \$5 million for each of fiscal years 1988 and 1989 for grants to assist in financing demonstration projects established by States (in accordance with requirements by the Secretary) to develop, improve, or expand activities designed to

increase compliance with child access provisions of court orders. The Senate amendment requires the Secretary to submit a report to the Congress by July 1991 on the effectiveness of the projects in: (1) decreasing the time required for the resolution of disputes related to child access; (2) reducing litigation relating to access disputes; and (3) improving compliance with court-ordered child support payments.

Effective date: Upon enactment.

Conference Agreement

The conference agreement follows the Senate amendment authorizing demonstrations, with a modification to add the House language prohibiting projects which allow non-payment of child support pending visitation. The conference agreement authorizes \$4 million for each of fiscal years 1990 and 1991.

D. DISREGARD OF CHILD SUPPORT

(Section 504 of the House bill and section 102 of the Senate amendment.)

Present Law

A provision in the 1984 Deficit Reduction Act requires the disregard of the first \$50 of child support payments received in a month in determining the eligibility and benefit amount for an AFDC family.

House Bill

The House bill clarifies that the \$50 disregard applies to a payment received in one month which was due for a prior month, if it was timely made when due by an absent parent.

Effective date: First calendar quarter beginning one year or more after enactment.

Senate Amendment

The Senate amendment clarifies that the \$50 disregard applies to a payment received in a month which was due for a prior month if it was made by the absent parent in the month when due.

Effective date: First calendar quarter after enactment.

Conference Agreement

The conference agreement follows the Senate amendment.

E. REQUIREMENT OF PROMPT STATE RESPONSE

(Section 505 of the House bill and section 121 of the Senate amendment.)

Present Law

Present law requires the Secretary to establish such standards for State programs for locating absent parents, establishing paternity, and obtaining child support as he determines to be necessary to assure that such programs will be effective.

House Bill

The House bill requires the Secretary to set standards establishing limitations on the period of time within which a State must (1) respond to requests for assistance in locating absent parents or establishing paternity, and (2) begin proceedings to establish or enforce child support awards.

Effective date: First calendar quarter beginning one year or more after the date of enactment.

Senate Amendment

The Senate amendment requires the Secretary to set standards establishing time limits governing periods in which a State must accept and respond to requests (from individuals, States, or jurisdictions) for assistance in establishing and enforcing support orders, including requests to locate absent parents, establish paternity, or initiate proceedings to establish and collect awards. The Senate amendment requires the Secretary of HHS to establish an advisory committee and to consult with the committee before issuing regulations. A notice of proposed rulemaking must be published within 180 days after enactment. Final regulations must be issued by the 10th month after enactment.

The Senate amendment requires the Secretary to establish time limits within which child support payments collected by the State IV-D agency must be distributed to the families to whom they are owed. Regulations must be issued within 10 months after enactment.

Conference Agreement

The conference agreement follows the Senate amendment.

F. REQUIREMENT FOR AUTOMATED TRACKING AND MONITORING SYSTEM

(Section 506 of the House bill and section 122 of the Senate amendment.)

Present Law

Present law authorizes 90% Federal matching, on an open-ended entitlement basis, to States that elect to establish a statewide automated data processing and information retrieval system to carry out the State's child support enforcement plan. Funds may be used to plan, design, develop and install or enhance the system, and may be used to pay for the acquisition of computer hardware. The Secretary must find that the system meets specified conditions. States also may receive the regular matching rate (68% in FY 88) for automated systems that are not statewide or do not otherwise meet the Federal requirements to qualify for 90% matching.

House Bill

The House bill requires every State that does not have in effect a statewide automated data processing and information retrieval system that meets Federal requirements to submit to the Secretary by October 1, 1989 an advance planning document that meets Fed-

eral requirements. The House bill requires that by October 1, 1990, the Secretary shall have approved each State document that has been submitted, and by October 1992, every State shall have an approved system in effect. The House bill repeals 90% Federal matching for automated data systems, effective October 1, 1992.

Senate Amendment

The Senate amendment requires each State to have an approved statewide system that meets Federal requirements for 90% matching by not later than date specified in the State's advance planning document (which must be within 10 years after the date the document is submitted to the Secretary). The advance planning document must be submitted by October 1, 1990 in order to qualify for 90% matching. The Senate amendment allows the Secretary to waive the requirement if a State demonstrates that it has an alternative system that enables the State to be in substantial compliance with Federal child support requirements.

Conference Agreement

The conference agreement requires every State that does not have in effect a statewide automated tracking and monitoring system document that meets Federal requirements to submit to the Secretary by October 1, 1991 an advance planning document that meets Federal requirements. The Secretary must approve each State document within 9 months after submittal. By October 1, 1995, every State must have an approved system in effect. The conference agreement repeals the 90% Federal matching for automated data systems effective September 30, 1995.

The conferees are aware that concerns have been raised about the present rules and process for approving advance planning documents submitted by the States. The conferees direct the Secretary to review the situation to determine whether any changes in rules or procedure are warranted. If the Secretary determines that any changes in regulations are necessary, such changes must be promulgated in final form no later than October 1, 1990.

The conference agreement follows the Senate amendment allowing the Secretary to waive the requirement for an approved statewide system, but adds that the waiver must meet Sec. 1115 child support requirements or the State must provide assurances to the Secretary that steps will be taken to otherwise improve the State's child support enforcement program.

G. INTERSTATE ENFORCEMENT

(Sections 507, 509, and 513 of the House bill and sections 123 and 125 of the Senate amendment.)

1. Commission on interstate enforcement

Present Law

No provision.

House Bill

The House bill establishes a Commission to study the problems of interstate enforcement and to develop a new model interstate law. Within 1 year after the date of enactment the Commission shall submit to the President and the Congress a report on the results of its study, including a draft of a model state law for interstate enforcement, along with recommendations for further legislative, administrative, and other actions at every level. The House bill requires that the Commission be composed of 15 members: (1) 2 members of the Senate, 1 selected by the Majority Leader and one by the Minority Leader; (2) 2 members of the House, 1 selected by the Speaker and 1 by the Minority Leader; (3) the Secretary of HHS; (4) a representative of the Commissioners on Uniform State laws; (5) a State IV-D agency director; (6) a State or local prosecutor; and (7) 7 advocates for or representatives of custodial and non-custodial parents. The House bill requires that members specified in items 4-7 be selected jointly by the Speaker of the House and the Majority Leader of the Senate in consultation with the Minority Leaders of the House and Senate. The bill authorizes such sums as may be necessary.

Senate Amendment

The Senate amendment establishes a Commission on Interstate Child Support which is required to hold one or more national conferences on interstate child support reform and, not later than October 1, 1990, to submit a report to the Congress with recommendations for improving the interstate child support system, and revising the Uniform Reciprocal Enforcement of Support Act. The Senate amendment requires that the Commission be composed of 15 members: (1) 4 appointed jointly by the Majority and Minority Leaders of the Senate in consultation with the chairman and ranking minority member of the Committee on Finance; (2) 4 appointed jointly by Speaker of the House and Minority Leader of the House, in consultation with the chairman and ranking minority member of the Committee on Ways and Means; and (3) 7 appointed by the Secretary of Health and Human Services. The Senate amendment authorizes \$2 million.

Conference Agreement

The conference agreement follows the Senate amendment modified to require a report not later than October 1, 1991. The conferees expect the membership of the Commission to include a representative of the categories specified in the House bill: HHS, Commissioners on Uniform State Laws, State child support enforcement agencies, State prosecutors or judiciary, and advocates for custodial and non-custodial parents.

2. *Exclude interstate demonstration grants in computing incentive payments*

Present Law

Present law authorizes \$15 million each year to fund special projects developed by States for demonstrating innovative techniques for improving child support collections in interstate cases.

House Bill

The House bill excludes amounts spent by a State for an interstate demonstration project in calculating the amount of the State's incentive payments.

Effective date: First calendar quarter beginning 1 year or more after enactment.

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the House bill.

3. *Use of INTERNET system*

Present Law

No provision.

House Bill

The House bill requires the Secretary of Labor to make available to the Federal Parent Locator Service (FPLS) and to any State child support agency, from the cross-match system used by the Secretary in determining eligibility for unemployment insurance and accessed by INTERNET, all available information on the name, social security number, current address and place of employment of any specified individual.

Effective date: First calendar quarter beginning one year or more after enactment.

Senate Amendment

The Senate amendment requires the Secretaries of Labor and HHS to enter into an agreement to give the FPLS prompt access to wage and unemployment compensation claims information useful in locating an absent parent or his employer. States must cooperate in making this information available as a condition of receiving grants for the administration of unemployment compensation.

Effective date: The Secretaries must enter into an agreement no later than 90 days after enactment.

Conference Agreement

The conference agreement follows the Senate amendment, with a modification to follow the effective date in the House bill.

The conferees expect this information will be provided through procedures agreed upon by the Secretary of Labor and the Secretary of HHS. The conferees understand that the Department of Labor is in the process of revising regulations for the State Eligibility and Income Verification System (SIEVS) (20 CFR 603) to provide access by the FPLS to state unemployment wage and claim files. Providing access to these data for FPLS through this regulatory change may be useful in locating noncustodial parents with child support obligations and could be incorporated in the Labor-HHS agreement provided for in this bill. Current law provides for the Department of HHS to reimburse the costs incurred by States and Federal agencies in providing information to the Federal Parent Locator Service. The Conferees anticipate that the Department of HHS would be billed by the Department of Labor for its costs and the costs of States and that the Department of Labor would, in turn, appropriately reimburse State unemployment agencies.

H. PENALTIES FOR NONCOMPLIANCE WITH 1984 REQUIREMENTS

(Section 508 of the House bill)

Present Law

A provision in the 1984 CSE amendments requires the Secretary to conduct a review of each State's program at least every 3 years to determine whether it substantially complies with the law, and to evaluate its effectiveness. If the Secretary finds that a State has not met the requirements, and there has not been corrective action, the amount of the State's AFDC matching must be reduced by not more than 2 percent for the first failure to substantially comply, not more than 3 percent for the second failure, and not more than 5 percent for the third and subsequent failures.

House Bill

The House bill reduces the Federal matching rate to 66 percent for any State not in full compliance with the 1984 amendments, as determined by the Secretary, at any time after the expiration of 6 months after the date of enactment. This penalty is in addition to penalties under current law.

Effective date: October 1, 1988.

Senate Amendment

No provision.

Conference Amendment

The conference agreement follows the Senate amendment (i.e., no provision).

I. WAGE WITHHOLDING

(Section 508(b) of the House bill and section 101 of the Senate amendment.)

Present Law

A provision in the 1984 Child Support Enforcement Amendments requires the States to have procedures, with respect to families receiving IV-D services, under which the wages of an absent parent must be withheld if the parent is in arrears in making child support payments in an amount equal to one month's support. The State may elect to begin withholding at an earlier date. In addition, the State must have in effect procedures under which all orders issued or modified in the State (regardless of whether they are being enforced by the IV-D agency) include a provision for wage withholding. With respect to these non-Federally matched cases, the statute leaves to State discretion the determination of when withholding should begin, or the amount of an arrearage. The State may allow parents who are not receiving IV-D services to opt into the wage withholding system if they pay a \$25 annual fee.

House Bill

The House bill requires that, with respect to IV-D cases, each State must provide for immediate wage withholding (without determining whether there is an arrearage) in every case where an individual residing in the State owes child support under a court order issued or modified in the State (or under administrative process). The State may exclude cases from immediate wage withholding if (1) one of the parties demonstrates, and the court finds, that there is good cause not to require such withholding, or (2) there is a written agreement between both parties providing for an alternative arrangement. The House bill retains present law that provides that States may allow parents who are not receiving IV-D services to opt into the wage withholding system if they pay a \$25 annual fee.

Effective date: October 1, 1988.

Senate Amendment

The Senate amendment requires that, with respect to IV-D cases, each State must provide for immediate wage withholding (without determining whether there is an arrearage) in the case of orders that are issued or modified on or after the first day of the 25th month beginning after the date of enactment unless: (1) the State finds good cause; or (2) both parents agree to an alternative arrangement. In the case of orders that are being enforced by the IV-D agency that are not subject to withholding under the above requirement, the Senate amendment requires that, beginning two years after enactment, wages of an absent parent must be subject to withholding, regardless of whether there is an arrearage, upon request of the custodial parent if the State determines (under its own procedures and standards) that it is appropriate to grant the request.

The Senate amendment specifies that, also beginning two years after enactment, State procedures must allow State child support agencies to request immediate withholding for orders that they are enforcing on behalf of families receiving welfare, regardless of whether the parents have agreed to an alternative arrangement.

Present law requirements for mandatory wage withholding in the case of payments that are delinquent in an amount equal to one month's support will apply to orders that are not subject to immediate wage withholding.

The Senate amendment requires that States provide for immediate wage withholding with respect to all support orders initially issued on or after January 1, 1994, regardless of whether a parent has applied for IV-D services.

The Senate amendment provides for a study of the administrative feasibility, cost implications, and other effects of requiring States to adopt immediate wage withholding for all child support orders in a State, not just those that are being enforced by the State's child support enforcement agency. The Secretary of Health and Human Services must conduct the study and report his findings to the Congress no later than three years after the date of enactment.

The Senate amendment repeals present law which provides that the State may allow parents who are not receiving IV-D services to opt into the wage withholding system if they pay a \$25 annual fee.

Effective date: Two years after enactment.

Conference Agreement

The conference agreement follows the Senate amendment except as follows: (1) follow the House bill with respect to the circumstance under which cases may be excluded from wage withholding; (2) clarify that the Consumer Credit Protection Act limits, applicable to the amount of an absent parent's income which can be subject to withholding under current law, apply to all income withholding; and (3) clarify that the notice provisions to employers and the requirements that employers must be held liable for failure to withhold applies to all cases subject to income withholding.

J. STUDY OF CHILD REARING COSTS

(Section 510 of the House bill.)

Present Law

No provision.

House Bill

The House bill requires the Secretary of HHS to conduct a study of the pattern of expenditures on children, by 2-parent and 1-parent families, with particular attention to relative standards of living of the different families, and to submit a report to the Congress within 2 years after the date of enactment, including recommendations for legislative, administrative and other actions. The House bill authorizes such sums as may be necessary.

Effective date: First calendar quarter beginning one year or more after enactment.

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the House bill.

K. WORK AND TRAINING DEMONSTRATION PROGRAMS FOR NON-CUSTODIAL PARENTS

(Section 511 of the House bill and section 201 of the Senate amendment.)

Present Law

No provision.

House Bill

The House bill allows Sec. 1115 demonstration funds to be used to make grants to States to test methods of improving child support enforcement by encouraging noncustodial parents who are financially unable to meet their support obligations to participate in the State welfare agency's Network program, JTPA, or other similar program.

Effective date: First calendar quarter beginning one year or more after enactment.

Senate Amendment

The Senate amendment provides no new demonstration authority. However, States may allow or require noncustodial parents who are unemployed and unable to meet their child support obligations to participate in the new JOBS program.

Effective date: Same as JOBS program.

Conference Agreement

The conference agreement provides that the Secretary must grant waivers to up to 5 States allowing them to provide services on a voluntary or a mandatory basis (such as by court order) to non-custodial parents as an activity under the JOBS program. Activities conducted under any of these waivers must be evaluated. The conferees note that the bill does not grant any new power to States to require participation by non-custodial parents.

L. DATA COLLECTION AND REPORTING

(Section 512 of the House bill.)

Present Law

Present law requires the State to have an adequate reporting system and requires the Secretary to report annually to the Congress on State data relating to costs, collections, support obligations established, interstate cases, and other related data.

House Bill

The House bill requires the Secretary of HHS to collect and maintain State-by-State statistics with respect to the following services: paternity determination, location of absent parent for the

purpose of establishing a support obligation, establishment of a child support obligation, and location of absent parent for the purpose of enforcing or modifying an established obligation. Data must be separately stated for AFDC and non-AFDC cases, and must include: (1) the number of cases in the caseload that need the service; (2) the number of cases in which the service has actually been provided; and (3) the percent of cases in which the service has actually been provided.

Effective date: First calendar quarter beginning one year or more after enactment.

Senate Amendment

The Senate amendment retains present law.

Conference Agreement

The conference agreement follows the House bill with modifications. Data collected by the Secretary of HHS must be separately stated for AFDC and non-AFDC cases, and must include (1) the number of cases in the caseload requesting the service, and (2) the number of cases in which the service has actually been provided. The conferees clarify that "service has actually been provided" means the actual determination of paternity, location of the parent, and establishment of an order, not the provision of a service aimed at these objectives.

M. USE OF SOCIAL SECURITY NUMBER

(Section 24 of Senate amendment.)

Present Law

No provision.

House Bill

No provision.

Senate Amendment

The Senate amendment requires each State, in the administration of any law involving the issuance of a birth certificate, to require each parent to furnish his or her social security number, unless the State (in accordance with regulations by the Secretary of HHS) finds good cause for not requiring the furnishing of the number. The State must make the numbers available to child support enforcement agencies in accordance with Federal or State law. Numbers need not be recorded on the birth certificate. Existing State and Federal laws relating to the protection of privacy will not be superceded except to the extent that they are directly inconsistent with this provision.

Effective date: 25th month after enactment.

Conference Agreement

The conference agreement follows the Senate amendment modified to provide that the parents' SSN shall not appear on the birth

certificate, and that the use of the SSN obtained through the birth record would be limited to Child Support Enforcement (CSE) program purposes, except that, where a State is currently permitted under the Privacy Act to obtain and use an SSN for purposes other than the CSE program because it did so prior to 1975, the State would be permitted to continue to do so.

N. NOTIFICATION OF SUPPORT COLLECTED

(Section 104 of the Senate amendment.)

Present Law

The Child Support Enforcement Amendments of 1984 included a provision requiring States to inform AFDC families once each year of the amount of support collected on their behalf by the child support enforcement agency.

House Bill

No provision.

Senate Amendment

The Senate amendment requires that States inform families receiving welfare of the amount of support collected on their behalf on a monthly basis, rather than annually. States may provide quarterly (rather than monthly) notice if the Secretary determines that compliance with the monthly notification requirement would impose an unreasonable administrative burden on the State.

Effective date: First calendar quarter beginning 4 years after enactment.

Conference Agreement.

The conference agreement follows the Senate amendment.

TITLE II.—JOB OPPORTUNITIES AND BASIC SKILLS TRAINING PROGRAM

This Act will establish a new employment, education and training program for recipients of Aid to Families with Dependent Children (AFDC). It replaces and expands authority currently contained in Title IV-A and Title IV-C of the Social Security Act. Upon enactment, this new program will become Title IV-F of the Social Security Act; the related sections in Title IV-A and all of Title IV-C will be repealed. Because the new JOBS program authorized by Title IV-F includes provisions currently within the jurisdiction of the Committee on Ways and Means and the Committee on Education and Labor of the House of Representatives, the two committees will have joint jurisdiction over the new Title IV-F of the Social Security Act.

A. NAME OF PROGRAM (S)

(Section 102 of the House bill and section 201 of the Senate amendment.)

Present Law

Under present law, authority for work and training programs is divided among five separate programs: the programs are: The Work Incentive (WIN), WIN demonstration, community work experience (CWEP), work supplementation and job search programs.

House Bill

The House bill consolidates these programs and names the new program the National Education, Training, and Work (Network) program.

Senate Amendment

The Senate amendment consolidates these programs and names the new program the Job Opportunities and Basic Skills Training (JOBS) program.

Conference Agreement

The conference agreement follows the Senate amendment.

B. PURPOSE

(Section 102 of the House bill and section 2 of the Senate amendment.)

Present Law

Under present law, the purpose of the WIN program is to provide "incentives, opportunities, and necessary services in order for (1) the employment of such individuals in the regular economy, (2) the training of such individuals for work in the regular economy, and (3) the participation of such individuals in public service employment, thus restoring the families of such individuals to independence and useful roles in their communities."

The purpose of the WIN demonstration program is to demonstrate "single agency administration of the work-related objectives" of the Social Security Act. (Temporary authority; expires September 30, 1990.)

The purpose of the CWEP program is "to provide experience and training for individuals not otherwise able to obtain employment, in order to assist them to move into regular employment. Community work experience programs shall be designed to improve the employability of participants through actual work experience and training and to enable individuals employed under community work experience programs to move promptly into regular public or private employment."

The purpose of the work supplementation program is to allow a State to institute a work supplementation program under which such State, to the extent it determines appropriate, may make jobs available, on a voluntary basis, as an alternative to cash assistance.

House Bill

Under the House bill, the purpose of the NETWork program is "to assure that needy children and parents obtain the education,

training, and employment that will help them avoid long-term welfare dependence."

The purpose of the CWEP program is "to provide marketable work experience and training for individuals who are not otherwise able to obtain employment through a combination of work experience and training or educational activities as part of a planned sequence set forth in the participant's family support plan." Programs must be designed to move participants into regular public or private employment.

The purpose of the work supplementation program is to allow AFDC funds otherwise payable to recipients to be used for the purpose of providing and subsidizing jobs as an alternative to cash assistance.

Senate Amendment

Under the Senate amendment the purpose of the JOBS program is "to assure that needy families with children obtain the education, training, and employment that will help them avoid long-term welfare dependence."

The Senate amendment retains current law with respect to the purpose of the CWEP program.

Under the Senate amendment, the purpose of the work supplementation program is as stated in the House bill.

Conference Agreement

The conference agreement follows the Senate amendment with respect to the purpose of the basic JOBS program and the purpose of the CWEP program. The conference agreement follows the House bill and the Senate amendment with respect to the purpose of the work supplementation program.

C. PROGRAM STRUCTURE/ADMINISTRATION

(Section 101 of the House bill and section 201 of the Senate amendment.)

1. Requirement for State participation

Present Law

Under present law, each State must have a WIN program. A State may operate a WIN demonstration program as an alternative to WIN. The CWEP, work supplementation, and job search programs are optional programs for the State.

House Bill

The House bill requires that each State have a NETWork program approved by the Secretary of HHS in consultation with the Secretary of Labor.

Senate Amendment

The Senate amendment requires that each State have a JOBS program approved by the Secretary of HHS in consultation with the Secretary of Labor.

Conference Agreement

The conference agreement requires each State to have a JOBS program under a plan approved by the Secretary of HHS. The Secretary of HHS must consult with the Secretary of Labor on general plan requirements and criteria for approving plans. The Secretary of HHS shall have sole authority for approving or disapproving plans.

2. Requirement for a statewide program

Present Law

Present law requires the Secretary of Labor to establish WIN programs in each State and in each political subdivision of a State in which he determines there is a significant number of AFDC recipients age 16 or above. In other political subdivisions, he must use his best efforts to provide programs either within the subdivisions or to provide transportation to subdivisions in which programs are established.

Requirements for the WIN demonstration, CWEP and work supplementation programs are at State discretion. Regulations require that States that operate a job search program must do so on a statewide basis.

House Bill

The House bill requires that the program be available in each subdivision of the State where it is feasible to do so, taking into account the number of prospective participants, the local economy, and other relevant factors. If the State determines that the program is not to be available in all political subdivisions the State plan must include appropriate justification. The NETWork program replaces the WIN demonstration program. Requirements for the CWEP, work supplementation, and job search programs are at State discretion.

Senate Amendment

The Senate amendment requires that not later than three years after enactment, the program must be available in each subdivision of the State unless the State demonstrates to the satisfaction of the Secretary that it is not feasible to do so because of the needs and circumstances of local economies, the number of prospective participants, and other relevant variables. The JOBS program replaces the WIN demonstration program. Requirements for the CWEP, work supplementation and job search programs are at State discretion.

Conference Agreement

The conference agreement follows the House bill and Senate amendment as follows: Not later than 2 years after the mandatory effective date, the State must make the program available in each subdivision of the State where it is feasible to do so, taking into account the number of prospective participants, the local economy, and other relevant factors. If the State determines that the pro-

gram is not to be available in all political subdivisions, it must provide appropriate justification to the Secretary. The conferees note that the Secretary may approve or disapprove the State program on the basis of whether it meets the requirement for Statewide-ness, using the plan approval authority that is generally available to him under the statute. The conferees expect the States to make a serious and determined effort to implement their programs throughout all their local jurisdictions to the maximum extent possible, so that all eligible families will have an opportunity to benefit from the new services that are authorized under the legislation.

3. State plan requirements

Present Law

Present law requires a statewide plan for the WIN program that prescribes how the program will be operated at the local level and indicates for each area within the State, the number and type of positions to be provided, the manner in which information provided by the private industry council (PIC) under JTPA will be used, and the agency or administrative unit responsible for each of the program activities. The plan must be approved by the Secretary of Labor, the WIN unit of the welfare agency, and the WIN regional joint committee. (Regulations also require local plans, and require that all plans be approved annually.)

The WIN demonstration program requires that the plan provide that the welfare agency conduct the demonstration; that the participation requirements be the same as for the WIN program, but subject to waiver under sec. 1115; and that the criteria for participation shall be uniform throughout the State. The plan must state the demonstration's objectives, with emphasis on how the State plans to maximize client placement in nonsubsidized private sector employment; describe the techniques to be used to achieve the objectives of the demonstration; and set forth the format and frequency of reporting. States are free to design their own programs, in conformity with their own plans; components of the program other than participation criteria may vary within the State. A State's WIN demonstration application shall be deemed approved unless the HHS Secretary disapproves it in writing within 45 days.

For all other programs, present law has no requirement.

House Bill

The House bill requires a State plan (which must be submitted by the State on or before the effective date of the bill) describing the program in such detail as will enable the Secretary to determine whether all Federal law requirements are met, and estimating the number of persons to be served. The House bill requires that State plans include the following:

- (1) provision for private sector and local government involvement, through the entities that administer JTPA, in planning and program design to ensure that participants are trained for jobs that will actually be available in the community;

(2) a description of relevant coordination arrangements with other Federal and State agencies, including the State educational agency;

(3) a description of the services to be provided and the methods and priorities used in allocating services;

(4) assurances that the operation of the program meets the criteria for coordination established in the Governor's coordination and special services plan pursuant to sec. 121(b)(1) of the Job Training Partnership Act;

(5) procedures for selecting service providers that take into account past performance in providing similar services, fiscal accountability, and ability to meet performance standards;

(6) assurances that services provided are in addition to, and do not duplicate, services otherwise available from other Federal and State agencies on a non-reimbursable basis;

(7) assurances that community-based organizations (defined in sec. 4 (5) of JTPA) are involved in planning and program design, and in the delivery of services (meeting the conditions of sec. 107 (a) of JTPA);

(8) a description of the distribution of services within the State, identifying for each area the resources to be made available for training, on-the-job training, and transitional employment opportunities, and explaining the economic and demographic reasons for the distribution;

(9) assurances that necessary supportive services will be available; and

(10) other information and assurances required by the Secretary.

Senate Amendment

The Senate amendment requires a State plan, approved by the Secretary of HHS. It requires the State, in accordance with regulations of the Secretary, to periodically review and update its plan and submit the updated plan for approval by the Secretary.

The Senate amendment includes some items related to the House requirements (1) through (10) above, but does not designate them as State plan requirements.

Conference Agreement

The conference agreement, in place of either the House bill or the Senate amendment, structures the State plan as an operational plan which will describe how the State intends to implement the program during the period covered by the plan. Federal requirements will not be spelled out in the plan except that the plan will indicate by cross reference to appropriate sections of law that the program will be operated in conformity with those sections. The State, in accordance with regulations of the Secretary, must periodically (but no less often than every 2 years) review and update its plan and submit the updated plan for approval by the Secretary.

Each State plan must: (1) provide that the State will operate its JOBS program in conformity with the coordination requirements; the contract authority/private sector involvement requirements; and other requirements of the statute; and (2) describe how the

State anticipates that it will operate the JOBS program during the period covered by the State plan, including a description of how it will implement the requirements with respect to coordination and use of other agencies; an estimate of the number of persons to be served by the program; a description of the services to be provided within the State and within political subdivisions of the State, the needs to be addressed by such services, the extent to which such services are expected to be available from other agencies on a non-reimbursable basis, and the extent to which such services are to be provided by or funded by the JOBS program; and such additional information as the Secretary may require by regulation to show that the State plan will comply with the requirements of the program.

4. Federal administrative responsibility

Present Law

Under present law, the Departments of Labor and HHS share joint responsibility for the WIN program, together establishing the WIN National Coordination Committee with responsibility for national administration. The Department of HHS is responsible for administration of all other programs.

House Bill

The House bill provides that the Department of HHS is responsible for administration at the Federal level. However, the Secretary of Labor is responsible for implementing and carrying out the provisions related to working conditions, displacement, wage rates, workers' compensation, grievance procedures, and the prohibition against use of funds for construction.

Senate Amendment

The Senate amendment requires administration of the JOBS program, the child support enforcement program, and the cash assistance program by an Assistant Secretary for Family Support in HHS. The Assistant Secretary must be appointed by the President and confirmed by the Senate. This provision is effective January 1, 1989.

Conference Agreement

The conference agreement follows the Senate amendment with respect to the administration of the programs by a new Assistant Secretary of HHS, establishing an effective date of February 1, 1989. The conference agreement requires the Secretaries of Labor and HHS to issue joint regulations with respect to provisions relating to working conditions, wage rates, workers' compensation, and displacement. Disputes relating to these matters (other than displacement) will be heard under the State's fair hearing process. Appeals of these State-level hearings may be made to the Secretary of Labor under such conditions as the joint regulations of the Secretaries of Labor and HHS may provide.

5. State and local administration

Present Law

Under present law, the State employment security agency and welfare agency have joint responsibility for administering WIN. WIN agencies may make grants to, or enter into agreements with, public or private organizations (including Indian tribes) to carry out program functions. For all other programs, the welfare agency has responsibility, but the welfare agency may make arrangements with other agencies to operate programs.

House Bill

The House bill requires State welfare agency responsibility for the operation and administration of the Network program.

Senate Amendment

The Senate amendment requires State welfare agency responsibility for the administration or supervision of the administration of the JOBS program. It also requires the welfare agency to be responsible for assuring that cash benefits and child support and JOBS services are furnished in an integrated manner, effective July 1, 1989.

Conference Agreement

The conference agreement follows the Senate amendment.

6. Coordination with other programs

Present Law

Under present law, the Secretary of Labor must, to the greatest extent feasible, use all authority available under all Acts to provide services for WIN participants, and must assure, when appropriate, that WIN registrants are referred for JTPA services. The Job Training Partnership Act requires the Governor to coordinate WIN activities with activities provided under JTPA. Present law contains no specific coordination provisions for the CWEP, work supplementation, and job search programs.

House Bill

The House bill requires program activities to be coordinated with programs operated under JTPA and other relevant employment, training, and education programs. Components of the State plan relating to job training and workplace preparation must be consistent with the coordination criteria specified in the plan required under sec. 121 of JTPA. The plan so developed must be submitted to the State job training coordinating council not less than 90 days before its submission to the Secretary for review and comment. Concurrently, the plan must be published and made reasonably available to the public for review and comment.

Senate Amendment

The Senate amendment requires the Secretary of HHS to consult on a continuing basis with the Secretaries of Education and Labor to assure maximum coordination of services. It requires the Governor to assure that program activities are coordinated with programs under JTPA and with other relevant employment, training, and education programs. No program plan may be submitted to the Secretary until the Governor has determined that the program is consistent with the coordination criteria specified in the plan required under sec. 121 of JTPA.

Conference Agreement

The conference agreement follows the House bill and Senate amendment modified as follows: It requires the Secretary of HHS to consult on a continuing basis with the Secretaries of Education and Labor to assure maximum coordination of services. It requires the Governor to assure that program activities are coordinated with programs operated under JTPA and other relevant employment, training, and education programs. Components of the State plan relating to job training and workplace preparation shall be consistent with the coordination criteria specified in the plan required under sec. 121 of JTPA. The plan so developed shall be submitted to the State job training coordinating council for review and comment not less than 60 days before its submission to the Secretary. Concurrently, the plan shall be published and made reasonably available to the public for review and comment. Comments by the State job training coordinating council shall be transmitted to the Governor. The conferees do not intend that the plan must be approved by the State job training coordinating council, but only that the council must have an opportunity to review and comment on it.

The conference agreement requires the State agency to consult with the State education agency and the agency responsible for administering job training programs in the State, as in the Senate amendment.

The conference agreement requires that program activities be coordinated with existing early childhood programs, as in the House bill.

7. Contract authority/involvement of private sector

Present Law

Under present law, WIN funds may be used to contract for services under other programs. There are no specific provisions under present law with respect to contract authority for other programs, but State WIN demonstration programs frequently contract for services provided by other entities.

House Bill

Under the House bill, the State welfare agency is allowed to administer the program directly or through arrangements or contracts with JTPA administrative entities, State and local educa-

tional agencies, and with other public agencies or private organizations (including community-based organizations as defined in sec. 4 (5) of JTPA). Arrangements and contracts may cover any services or activities, including outreach, to the extent that they are not otherwise available on a reimbursable basis. Arrangements and contracts must be developed in consultation with private industry councils (PICs) for service delivery areas designated under JTPA, must be transmitted to the State job training coordinating council for review and comment and must be subject to the approval of the Governor. In selecting providers, States must take into account past performance, demonstrated effectiveness, fiscal accountability, and ability to meet performance standards.

Under the House bill, the State welfare agency must use the services of each private industry council (PIC) to identify and provide advice on the types of jobs available or likely to become available in each JTPA service delivery area. The State agency may not conduct training for jobs of a type which are not likely to become available.

Senate Amendment

Under the Senate amendment, the State welfare agency is allowed to enter into contracts and other arrangements with public and private agencies and organizations for the provision or conduct of any services or activities. Each State program must include private sector involvement in planning and program design to assure that participants are prepared for jobs that will be available in the community. Report language urges Governors to ensure that the resources and expertise of PICs are used to the maximum extent possible in arranging for the delivery of services.

Conference Agreement

The conference agreement follows the House bill, modified as follows:

The conference agreement allows the State welfare agency to administer the program directly or through arrangements or contracts with JTPA administrative entities, State and local educational agencies, and with other public agencies or private organizations (including community-based organizations as defined in sec. 4(5) of JTPA). Arrangements and contracts may cover services or activities, including outreach, to the extent that they are not otherwise available on a nonreimbursable basis.

The welfare agency and private industry councils (PICs) shall consult on the development of arrangements and contracts under the JOBS and JTPA programs.

In selecting providers, the State shall take into account appropriate factors which may include past performance, demonstrated effectiveness, fiscal accountability, ability to meet performance standards, and such other factors as the State may determine to be appropriate.

The State welfare agency must use the services of each private industry council (PIC) to identify and provide advice on the types of jobs available or likely to become available in each JTPA service

delivery area. The State agency must assure that the program provides training for jobs that are or are likely to become available.

D. REQUIREMENT FOR PARTICIPATION

(Section 101 of the House bill and section 201 of the Senate amendment.)

1. *General requirement*

Present Law

Under present law, for the WIN and WIN demonstration programs, States must require that non-exempt applicants and recipients of assistance register for services and participate in activities to which they are assigned. States may require non-exempt recipients of assistance to participate in CWER programs to which they are referred. Participation is voluntary in the work supplementation program.

House Bill

The House bill stipulates that under the NETWork program States must require non-exempt recipients of assistance to participate to the extent that the program is available and State resources permit. A State which chooses to operate a work supplementation program must require participation by an eligible individual. The State determines who is an eligible individual.

Senate Amendment

The Senate amendment stipulates that under the JOBS program States must require non-exempt recipients of assistance to participate to the extent that the program is available and State resources permit. A State which chooses to operate a work supplementation program may require participation by an eligible individual.

Conference Agreement

The conference agreement requires non-exempt recipients to participate in the basic education, employment and training program, as provided in the House bill and Senate amendment. The conference agreement allows States to require participation in the work supplementation component of the JOBS program, as in the Senate amendment.

2. *Exemption from participation*

Present Law

Under present law, to be exempt from participation in the WIN and WIN demonstration programs an individual must be:

- (1) ill, incapacitated, or of advanced age (regulations specify age 65 or older);
- (2) needed in the home because of the illness or incapacity of another member of the household;

(3) the parent or other relative of a child under age 6 who is personally providing care for the child with only very brief and infrequent absences;

(4) employed 30 or more hours a week;

(5) a child under age 16 or attending, full-time, an elementary, secondary, or vocational school;

(6) a woman in the last trimester of pregnancy;

(7) residing in an area where the program is not available;

(8) a parent of a child eligible on the basis of death, absence from the home, or incapacity, if another adult relative is registered and has failed or refused to participate or accept employment;

(9) a parent of a child eligible on the basis of the unemployment of the principal earner, if the principal earner is not exempt under one of the preceding clauses.

To be exempt from participation in the CWEP program, the requirements are the same as those for WIN except (1) the State may require the mother of a child age 3 or above (rather than age 6) to participate if child care is available; and (2) a recipient who is employed at least 80 hours a month and is earning at least the applicable minimum wage must be exempted from participation.

To be exempt from participation in the job search program, the requirements are the same as those for WIN, except that an individual cannot be exempted for reason (7) above.

House Bill

The House bill provides that to be exempt from participation an individual must be:

(1) ill, incapacitated, or age 60 or above;

(2) needed in the home because of the illness or incapacity of another family member;

(3) the parent or other caretaker relative of a child under age 3 (or, at the option of the State under a waiver approved by the Secretary, any age that is less than 3 but not less than 1), subject to limitations described under "Limitations on Participation" below;

(4) employed 20 or more hours a week;

(5) a child under age 16 or attending, full-time, an elementary, secondary, or vocational school;

(6) a woman who is pregnant;

(7) residing in an area where the program is not available;

(8) The exemption under (3) may apply only to one parent in a two-parent family. A State may make the exemption inapplicable to both parents and require both to participate, at least one of them on a full-time basis, if appropriate child care is guaranteed.

These exemptions apply to participation in all activities.

Senate Amendment

The Senate amendment provides that to be exempt from participation an individual must be:

(1) ill, incapacitated or of advanced age;

(2) needed in the home because of the illness or incapacity of another member of the household;

(3) the parent or other relative of a child under age 3 (or, at the option of the State, any age that is less than 3 but not less than 1), who is personally providing care for the child with only very brief and infrequent absences, subject to limitations described in item 3 below;

(4) employed 30 or more hours a week;

(5) same as House bill;

(6) a woman in the last trimester of pregnancy; or

(7) same as House bill;

(8) the exemption under (3) may apply only to one parent in a two-parent family. A State may make the exemption inapplicable to both parents and require both to participate if child care is guaranteed.

These exemptions apply to all activities.

Conference Agreement

The conference agreement provides that to be exempt from participation an individual must be:

(1) ill, incapacitated or of advanced age;

(2) needed in the home because of the illness or incapacity of another family member; as under present law, the family member need not be a member of the AFDC unit;

(3) the parent or other relative of a child under age 3 who is personally providing care for the child (or, if so provided in the State plan, any age that is less than 3 but not less than 1);

(4) employed 30 or more hours a week;

(5) a child under age 16 or attending, full time, an elementary, secondary or vocational school;

(6) a woman who is in at least the second trimester of pregnancy;

(7) residing in an area where the program is not available; and

(8) A State may make the exemption inapplicable to both parents and require both to participate if child care is guaranteed.

When a State requires mandatory participation by caretakers of children under 6, the State plan must also include satisfactory assurances that child care will be guaranteed and participation will not be required for more than 20 hours a week.

With respect to item (2),

These exemptions apply to all activities.

3. Limitations on participation

Present Law

Present law contains no specific provision.

House Bill

The House bill stipulates that a State may not require participation by a parent of a child age 3 but under 6 unless day care is guaranteed and participation is part time (20 hours a week or less).

A State must permit and encourage participation by a parent of a child under age 3 if day care is guaranteed, participation is part time, and resources are available.

The Secretary may permit a State to require participation by a parent of a child less than 3 but not less than 1 if the State demonstrates that (1) appropriate infant care can be guaranteed for each child less than 3 for no more than \$200/month for children under 2 years old and \$175/month for children 2 years old and older, (2) the participation is part-time, and (3) participation will emphasize, as a first priority, education and training including parenting and nutrition education.

Senate Amendment

The Senate amendment limits required participation to no more than 24 hours a week if the individual is (1) the parent of a child under age 6 who is providing care for the child, and (2) not the principal earner in a two-parent family eligible on the basis of unemployment. States may encourage greater participation for more than 24 hours a week.

A State may require an individual to participate full-time (in excess of 24 hours a week) in the following education activities: high school or equivalent education, remedial education to achieve a basic literacy level, and instruction in English as a second language.

Conference Agreement

The conference agreement follows the Senate amendment modified as follows: A State may require an individual to participate full-time (in excess of 20 hours a week) in education activities, as under the Senate amendment. Full-time would be defined by the educational institution. Limits required participation to no more than 20 hours a week if the individual is (1) the parent of a child under age 6 who is personally providing care for the child, and (2) not the principal earner in a two-parent family eligible on the basis of unemployment. States may encourage greater participation for more than 20 hours per week.

4. Participation by young parents

Present Law

Present law contains no specific provision.

House Bill

The House bill provides that a State may require a minor parent, regardless of the age of the child, to (1) attend school on a part-time basis; or (2) participate in training in parenting and family living skills, including nutrition and health education, but only if and to the extent that child care is guaranteed.

Senate Amendment

The Senate amendment stipulates that a State must require a custodial parent under age 22 who has not completed high school

(or equivalent) to participate in high school or equivalent education, or, where appropriate, in remedial education or English as a second language regardless of the age of the child. A State may require the parent to participate in training or work activities (in lieu of education activities) if the parent fails to make good progress in completing education activities or if it is determined pursuant to an educational assessment that participation in education activities is inappropriate. Participation in these latter activities may be for no more than 24 hours a week.

Conference Agreement

The conference agreement follows the Senate amendment except that, (1) in the case of an otherwise exempt parent under age 18, the State may establish criteria pursuant to regulations of the Secretary under which such parents may be exempted from the school attendance requirement; and (2) the provision applies to custodial parents under age 20.

5. Participation by volunteers

Present Law

Under present law, applicants and recipients may volunteer for WIN services. Under present law for the work supplementation program, all participants are volunteers. For the CWEP and job search programs, by regulation, a State may provide services to volunteers.

House Bill

The House bill stipulates that a State must allow recipients to participate on a voluntary basis. In addition, the State must encourage voluntary participation and furnish the Secretary with assurances that it is doing so. Applicants may volunteer for job search only.

Senate Amendment

The Senate amendment requires that a State allow applicants and recipients to participate on a voluntary basis (including individuals who would be recipients if the State did not choose to provide benefits to unemployed-parent families on a time-limited basis.)

Conference Agreement

The conference agreement follows the Senate amendment.

6. Participation by noncustodial parents

Present Law

No provision.

House Bill

No provision. (See demonstration projects.)

Senate Amendment

The Senate amendment stipulates that a State may require or allow unemployed noncustodial parents who are unable to meet their child support obligations to participate.

Conference Agreement

The conference agreement follows the House bill.

*7. Individual participating in an education or training program**Present Law*

Under present law, by regulation, an individual may not be required to accept employment under the WIN program if the job offered would interrupt a program in progress under an approved employability plan leading to self-support or to the resumption of a regular job within a short period of time. Present law has no equivalent provisions for the CWEP, work supplementation, and job search programs.

House Bill

The House bill provides that if an individual is attending, in good standing, an accredited postsecondary institution (not less than half time) and making satisfactory progress in a vocational or undergraduate education or training program consistent with the individual's employment goals, such attendance shall constitute satisfactory participation so long as it continues. Any other activities may not interfere with such school or training.

The costs of the school or training are not eligible for Federal reimbursement; costs of day care, transportation and other services that are necessary for attendance in a program and included in the family support plan are reimbursable.

Senate Amendment

The Senate amendment provides that if an individual is already attending, in good standing, a school or course of vocational training designed to lead to employment, such attendance may constitute satisfactory participation in the program so long as the individual continues to participate in good standing.

The costs of the school or training are not eligible for Federal reimbursement; costs of child care necessary (as determined by the State) for attending school or training may be reimbursed.

Conference Agreement

The conference agreement follows the House bill modified as follows:

If an individual is attending an institution of higher education (as defined in section 481(a) of the Higher Education Act of 1965, as amended), or a school or course of vocational training designed to lead to employment, not less than half time, and making satisfactory progress in such institution, school, or course of training, such attendance may constitute satisfactory participation so long as it

continues and is consistent with the individual's employment goals. If such attendance is treated as constituting participation in the JOBS program, any other activities may not interfere with such school or training.

Costs of the school or training are not eligible for Federal reimbursement; costs of day care, transportation and other services that are necessary (as determined by the State) for attendance in a program are eligible for Federal reimbursement.

E. PROGRAM SANCTIONS

(Section 102 of the House bill and section 201 of the Senate amendment.)

1. *General requirement*

Present Law

Under the WIN program, sanctions must be applied to an individual who is required to participate if he (1) refuses without good cause to participate in activities to which he is assigned, (2) refuses without good cause to accept employment in which he is able to engage which is offered through the public employment offices of the State, or is offered by the employer if the offer is determined to be a bona fide offer of employment.

Sanctions for other programs are similar to WIN.

House Bill

The House bill requires that sanctions be applied to a recipient who is required to participate if he fails without good cause to comply with any program requirement.

Senate Amendment

The Senate amendment requires that sanctions be applied to a recipient who is required to participate if he (1) fails without good cause to participate in the program, or (2) refuses without good cause to accept any bona fide offer of employment in which he is able to engage.

Conference Agreement

The conference agreement follows the Senate amendment.

2. *Nature of sanction*

Present Law

Under the WIN program, if the parent or other caretaker relative in a 1-adult AFDC family refuses to participate, the adult's needs must not be taken into account in determining the family's benefits, and aid must be paid to a third party in the form of protective or vendor payments unless the agency is unable to arrange such payments. If the principal earner in a family eligible on the basis of unemployment refuses, aid must be denied to the entire family. If an only child who is required to participate refuses to do so, aid must be denied to the child and the parent. If there is more

than one child, the needs of the child who refuses must not be taken into account.

Sanctions under other programs are the same as those under WIN.

House Bill

The House bill requires that if a sanction is to be applied to a participant, the participant's needs must not be taken into account in determining the family's benefits. If the participant is a member of a family eligible on the basis of the unemployment of the principal earner, and the spouse is not participating, the needs of the spouse must also not be taken into account.

Senate Amendment

Retains present law.

Conference Agreement

The conference agreement follows the House bill modified to provide, as in present law, that, where a parent is sanctioned, payments to the family will be made to a third party in the form of protective or vendor payments unless the agency is unable to arrange such payments. This would apply to both 1-parent and 2-parent families.

3. Length of sanction

Present Law

Under the WIN program, the Secretary is required to issue regulations prescribing the duration of sanctions. Regulations provide:

- (1) in the case of the first failure to comply, 3 months;
- (2) in the case of second and subsequent failures, 6 months.

(If a volunteer refuses without good cause, the individual must be deregistered for WIN for 3 or 6 months, depending on whether it is the first or a subsequent refusal, but the AFDC grant is unaffected.)

Length of sanctions under the WIN demonstration and CWEP programs are the same as those under WIN. Under the job search program, sanctions must be applied as under WIN, except that the State may reduce the period for which sanctions would otherwise be in effect.

House Bill

The House bill would provide sanctions as follows:

- (1) in the case of the first failure to comply, until the failure to comply ceases;
- (2) in the case of the second or subsequent failure to comply, until the failure to comply ceases or 3 months, whichever is longer.

Failure by the State agency to carry out its obligations under the client-agency agreement (including failure to provide child care that is appropriate for the child's age and individual needs) shall constitute good cause for failure to comply.

Senate Amendment

The Senate amendment would provide sanctions as follows:

- (1) in the case of the first failure to comply, until the failure to comply ceases;
- (2) in the case of the second failure to comply, until the failure to comply ceases or 3 months, whichever is longer;
- (3) in the case of any subsequent failure to comply, until the failure to comply ceases or 6 months, whichever is longer.

Lack of child care necessary for an individual's participation constitutes good cause for refusal to participate or accept employment.

Conference Agreement

The conference agreement follows the Senate amendment modified so that the lack of child care necessary for an individual's participation, or failure by the State agency to provide necessary care, shall constitute good cause for refusal to participate or accept employment.

F. FAIR HEARING

(Section 102 of the House bill and section 201 of the Senate amendment.)

Present Law

Under present law, WIN regulations provide for a WIN adjudication system that requires efforts toward conciliatory resolution of disputes before notifying an individual of any action, and for a hearing on WIN issues. By regulation, appeals of WIN hearing decisions at the State level may be made to a National Review Panel (made up of ALJs under DOL) under specified circumstances.

Under Supreme Court decision (*Goldberg v. Kelly*—1970) and AFDC regulations all States must provide for a State agency hearing or an evidentiary hearing at the local level with a right of appeal to a State agency hearing in all cases of intended action to discontinue, terminate, suspend, or reduce assistance. Agencies must provide timely and adequate notice, and assistance must not be reduced or terminated if the recipient requests a hearing within 10 days of mailing of the notice.

House Bill

The House bill provides that no sanction may be imposed until appropriate notice has been provided and conciliation efforts have been made. Basic fair hearing requirements would be retained as in present law. Specifically, the House bill requires a fair hearing before the State agency in the event of a dispute involving the contents of the plan, the contents or signing of the agreement, the nature or extent of participation, the availability of child care and other supportive services, or any other aspect of participation (including the imposition of sanctions).

When a failure to comply has continued for 3 months, the State agency must remind the participant in writing of the option to end the sanction by complying.

Senate Amendment

The Senate amendment requires States to establish conciliation procedures for the resolution of disputes related to an individual's participation in the JOBS program and a hearing procedure to resolve any disputes not resolved during the conciliation process. A State may have a hearing process especially designed for the purpose of hearing all or some disputes related to the JOBS program, or it may use the regular AFDC hearing process.

Specific language is included stating that assistance may not be suspended, reduced, discontinued, or terminated until an individual is provided an opportunity for a fair hearing that meets the due process standards set forth by the U.S. Supreme Court in *Goldberg v. Kelly*—1970.

The State agency must notify a recipient of any failure to comply and indicate what action must be taken to terminate the sanction.

Conference Agreement

The conference agreement follows the Senate amendment except it replaces the provision requiring notification of failure to comply with the House provision specifying that when a failure to comply has continued for more than 3 months, the State agency must remind the participant in writing of the option to end the sanction by complying.

G. ASSESSMENT AND CERTIFICATION

(Section 102 of the House bill and section 201 of the Senate amendment.)

Present Law

Regulations under the WIN program require an appraisal interview to determine employability potential and the need for supportive services. When necessary supportive services have been provided the recipient may be certified as ready for participation in WIN.

Present law contains no similar provision with respect to other programs.

House Bill

The House bill requires that the State agency make an initial assessment of (1) the education, child care, and supportive services needs of each participant, (2) the work experience and employment skills of each participant, and (3) each individual's family circumstances. The House bill also requires a review of the needs of the children as well as of those of the adult caretaker. The assessment must include testing of literacy and reading skills.

Senate Amendment

The Senate amendment requires (1) an initial assessment of the education and employment skills of each participant, and (2) a review of each individual's family circumstances. An assessment of

learning disabilities may be part of the State's assessment procedures.

Conference Agreement

The conference agreement follows the House bill modified to allow, rather than require, the State agency to review the needs of the children and to delete the provision requiring testing of literacy and reading skills. The conferees assume that in evaluating the education needs of a participant the State will assess the individual's literacy.

H. EMPLOYABILITY PLAN

(Section 102 of the House bill and section 201 of the Senate amendment.)

Present Law

Under the WIN program, an employability plan must be developed for each individual. The plan must contain a manpower services plan and a supportive services plan, and is designed to lead to employment and ultimately to self-support. Regulations require that the plan contain a definite employment goal, attainable in the shortest time period consistent with supportive services needs, project resources, and job market opportunities. Final approval of the employability plan rests with the WIN agency.

Present law contains no provision with respect to other programs.

House Bill

The House bill requires that, on the basis of the assessment, the agency and the participating members of the family negotiate a family support plan for the family that sets forth the activities in which the family will participate, including child care and other supportive services, and that, to the maximum extent possible, reflects the preference of the participants.

Senate Amendment

The Senate amendment provides that the agency may develop an employability plan for each participant that, to the maximum extent possible, reflects the preferences of the participant.

Conference Agreement

The conference agreement follows the House bill modified as follows: On the basis of the assessment, it requires the State agency, in consultation with the participant, to develop an employability plan that explains the services that will be provided by the State agency and the activities that will be undertaken by the participant and sets forth an employment goal for the participant. The plan must take into account the individual's supportive service needs (including child care), available program resources, and local employment opportunities. To the maximum extent possible, the

employability plan shall reflect the preference of the participants. The employability plan shall not be considered a contract.

States must describe the procedures by which the employability plan will be developed, including how assistance will be provided to participants in reviewing and understanding the plan and in obtaining services needed to assure effective participation through case managers or otherwise.

I. CONTRACT/AGREEMENT

(Section 102 of the House bill and section 201 of the Senate amendment.)

Present Law

Under the WIN demonstration program, States have broad discretion to design their own programs, and at least one State (California) has adopted use of a contract on a statewide basis. Present law contains no provision with respect to the use of contracts in the CWEP, work supplementation, and job search programs.

House Bill

The House bill requires the State agency and the participating members of the family to negotiate and enter into an agreement including a commitment by the participants to participate in accordance with the family's plan; a detailed description of the activities in which the participant will take part and the conditions and duration of participation; a detailed description of all the activities, including child care and other supportive services, that the State will arrange and will provide.

Individuals must be assisted in reviewing and understanding the plan and obligations under the agreement. Before signing the agreement, the participant must be given an opportunity, for a period not to exceed 10 days, to review and renegotiate any appropriate provision of the agreement which the participant deems necessary. The agency representative responsible for implementation of this agreement must also sign it.

No agreement shall give rise to a cause of action against the Federal Government on the grounds of failure of any party to observe its terms.

Senate Amendment

The Senate amendment allows a State to require each participant to negotiate and enter into a contract with the agency that specifies such matters as the participant's obligations, the duration of participation in the program, and the activities the State will conduct and the services it will provide. Individuals must be assisted in reviewing and understanding the contract.

Conference Agreement

The conference agreement follows the Senate amendment.

J. CASE MANAGEMENT

(Section 102 of the House bill and section 201 of the Senate amendment.)

Present Law

Present law has no specific provision with respect to case management. However, WIN administrative units may not certify an individual for participation until necessary supportive services, including child care, family planning, counseling, medical, and other services have been provided.

House Bill

The House bill requires the State agency to assign a case manager to each family to provide case management services. The case manager must be responsible for obtaining or brokering any other services that may be needed to assure effective participation. The bill also requires the case manager to monitor the progress of the participant, and to periodically review and renegotiate the plan and the agreement as appropriate. Amounts spent on case management would be considered to be expenditures for the proper and efficient administration of the State plan. For families headed by minor parents, only one case manager would be permitted for both cash assistance and Network activities.

Senate Amendment

The Senate amendment allows the State agency to require the assignment of a case manager to each participant's family. The case manager must be responsible for assisting the family to obtain services needed to assure effective participation.

Conference Agreement

The conference agreement follows the Senate amendment.

K. ORIENTATION

(Section 102 of the House bill and section 201 of the Senate amendment.)

Present Law

WIN regulations require that each WIN registrant be informed about the nature of the WIN program and the individual's rights and responsibilities.

House Bill

The House bill requires that States ensure that each recipient is notified and fully informed concerning the education, training, and work opportunities that are offered by the Network program. The welfare agency must provide each applicant for cash assistance with orientation to the Network program, including opportunities offered, obligations of the State agency, and the rights, responsibilities, and obligations of participants. The orientation must include

descriptions of all supportive services including day care and health coverage transition options. The applicant must be explicitly informed that day care must be provided to any parent who needs it and that child care must be appropriate for the age and individual needs of the child. Orientation must also be available at any time to recipients of cash assistance.

As part of the orientation, a knowledgeable individual must (1) provide information on the types and locations of child care services reasonably accessible to participants, (2) inform participants that assistance is available to help them select appropriate child care services, and (3) upon request, provide assistance to recipients in obtaining child care services.

The agency must also inform individuals of the grounds for exemption from participation and the consequences of refusal to participate if not exempt; the opportunity to receive first consideration for services by actively seeking to participate; and other participation information.

Each applicant or recipient must be notified in writing, within one month after orientation, of the opportunity to indicate his or her desire to participate in the program, including a clear description of how to enter the program.

Senate Amendment

The Senate amendment requires that the welfare agency ensure that all applicants and recipients are encouraged, assisted and required to fulfill their responsibilities to support their children by preparing for, seeking, accepting and retaining such employment as they are capable of performing. The agency must notify applicants and recipients of the education, employment, and training services (including supportive services) for which they are eligible.

The State agency must also (consistent with the provisions of title IV) assure that all applicants and recipients be encouraged, assisted and required to cooperate in the establishment of paternity and the enforcement of child support obligations, and must notify applicants and recipients of the paternity establishment and child support services for which they may be eligible.

Conference Agreement

The conference agreement follows the House bill and Senate amendment as follows:

The State agency must assure that all applicants and recipients are encouraged, assisted and required to fulfill their responsibilities to support their children by preparing for, seeking, accepting, and retaining such employment as they are capable of performing.

The agency must inform applicants and recipients of the education, employment, and training opportunities for which they are eligible, the obligations of the State agency, and the rights, responsibilities, and obligations of participants in the education, employment, and training program.

The agency must inform applicants and recipients of all supportive services, including day care and health coverage transition options.

The agency must (1) provide (directly or through arrangements with others) information on the types and locations of child care services reasonably accessible to participants, (2) inform participants that assistance is available to help them select appropriate child care services, and (3) upon request, provide assistance to participants in obtaining child care services.

The agency must inform applicants and recipients of the grounds for exemption from participation and consequences of refusal to participate if not exempt; and provide other participation information.

Each recipient must be notified in writing within one month after having been given the information described above, of the opportunity to indicate his or her desire to participate in the program, including a clear description of how to enter the program.

The agency must also (consistent with the provisions of Title IV) assure that all applicants and recipients are encouraged, assisted, and required to cooperate in the establishment of paternity and the enforcement of child support obligations, and must notify applicants and recipients of the paternity establishment and child support services for which they may be eligible.

L. PROGRAM STANDARDS

(Section 103 of the House bill and section 201 of the Senate amendment.)

1. *Work standards*

Present Law

By regulation, WIN registrants may not be referred to employment if it fails to meet certain criteria. The following standards must be met before an individual can be required to accept a work or training assignment:

(1) all assignments for trainees must be within the scope of the individual's employability plan. The plan may be modified to reflect changed employment conditions;

(2) the job or training assignment must be related to the capability of the individual to perform the task on a regular basis. A claim of adverse effect on health must be based on adequate medical testimony;

(3) the total daily commuting time must not normally exceed 2 hours, not including transporting of a child to and from child care, unless a longer commuting distance and time is generally accepted in the community;

(4) a work or training site may not be in violation of applicable Federal, State and local health and safety standards;

(5) assignments may not be discriminatory in terms of age, sex, race, creed, color, or national origin;

(6) for training to be appropriate, the quality must meet local employer's requirements, and the training must be likely to lead to employment which will meet appropriate work criteria.

House Bill

The House bill stipulates that the Secretary of Labor is responsible for implementing and carrying out the following provisions:

(1) each assignment under the program must be consistent with the physical capacity, skills, experience, health, family responsibilities, and place of residence of the participant;

(2) a requirement for part-time participation may not exceed 20 hours/week;

(3) individuals assigned to any position under the program may not be discriminated against on the basis of race, sex, national origin, religion, age, or handicapping condition and shall have such rights as are available under any Federal, State, or local law prohibiting discrimination.

Before assigning participants to any program activity the State must assure that:

(1) appropriate standards for health, safety, and other conditions are applicable to participation;

(2) the conditions of participation are reasonable, taking into account the geographic region, the residence of the participant, the proficiency of the participant, and child care and other supportive services needs; and

(3) the participant will not be required, without his or her consent, to travel an unreasonable distance from home or remain away from home overnight.

Senate Amendment

The Senate amendment requires that, in assigning participants to any program activity, the State agency assure that:

(1) the assignment takes into account the physical capacity, skills, experience, health and safety, family responsibilities and place of residence of the participant;

(2) the participant will not be required, without his or her consent, to travel an unreasonable distance from home or remain away from home overnight.

In making an assignment, the State agency may base the assignment on available resources, the participant's circumstances, and local employment opportunities.

Conference Agreement

The conference agreement provides that in assigning participants to any program activity, the State agency must assure that:

(1) the assignment takes into account the physical capacity, skills, experience, health and safety, family responsibilities and place of residence of the participant;

(2) individuals are not discriminated against on the basis of race, sex, national origin, religion, age, or handicapping condition and shall have such rights as are available under any Federal, State or local law prohibiting discrimination;

(3) the conditions of participation are reasonable, taking into account the proficiency of the participant and child care and other supportive services needs; and

(4) the participant will not be required, without his or her consent, to travel an unreasonable distance from home or remain away from home overnight.

In making an assignment, the State agency must base the assignment on available resources, the participant's circumstances, and local employment opportunities.

2. Wage rates

Present Law

The WIN statute has no provision specifying whether a participant must accept a job at any particular wage rate. However, WIN regulations provide that when an income disregard is available, the wage must meet or exceed the Federal or State minimum wage law. When, as a result of becoming employed, no disregard is available, the wage, less mandatory payroll deductions and a reasonable allowance for necessary employment-related expenses, must provide an income equal to or exceeding the family's AFDC cash benefits. There is no similar requirement under the WIN demonstration or job search programs.

House Bill

The House bill provides that the Secretary of Labor is responsible for implementing and carrying out the following provisions:

Wage rates for any position to which a participant is assigned may not be less than the highest of (a) the Federal minimum wage; (b) the minimum wage under applicable provisions of State or local law; or (c) the rates of pay for individuals employed in the same or similar occupations by the same employer.

Appropriate workers' compensation and tort claims protection must be provided to participants on the same basis as they are provided to other employed individuals in the State.

Senate Amendment

The Senate amendment provides that wage rates for jobs to which participants are assigned (work supplementation and on-the-job training) may not be less than the greater of the Federal or applicable State minimum wage.

Appropriate workers' compensation and tort claims protection must be provided to participants on the same basis as they are provided to other individuals in the State in similar employment (as determined under regulations of the Secretary).

Conference Agreement

The conference agreement provides that wage rates for the CWEP program may not be less than the greater of the Federal or applicable State minimum wage. After a participant has been in an assigned CWEP position for 9 months, the participant may not be required to continue in that assignment unless the maximum number of hours of participation is no greater than the cash benefit (excluding the portion of benefit for which the State is reimbursed by a child support payment) divided by the rate of pay for

individuals employed in the same or similar occupations by the same employer at the same site.

3. Displacement

Present Law

States must assure that the community work experience program (CWEP) does not result in displacement of persons currently employed or the filling of established unfilled vacancies. Participants may not perform tasks that would have been undertaken by employees or would have the effect of reducing the work of employees.

House Bill

The House bill provides that the Secretary of Labor is responsible for implementing and carrying out the following provisions:

No work assignment under the program may result in:

(1) the displacement of any currently employed worker or position (including partial displacement such as a reduction in the hours of non-overtime work, wages, or employment benefits);

(2) the impairment of existing contracts for services or collective bargaining agreements;

(3) the employment or assignment of the participant or the filling of a position when (a) any other individual is on layoff from the same or any substantially equivalent position, or (b) the employer has terminated the employment of any regular employee or otherwise reduced its workforce with the intention of filling the vacancy so created with a participant subsidized under the program;

(4) any infringement of the promotional opportunities of any currently employed individual.

Participants in CWEP may not fill established unfilled position vacancies. Each recipient of funds must provide the Secretary of Labor assurances that no funds will be used to assist, promote, or deter union organizing.

Senate Amendment

The Senate amendment provides that no work assignment under the program may result in:

(1) Same as House bill.

(2) Same as House bill.

(3) Same as House bill, except does not include the clause beginning "with the intention."

(4) Same as House bill.

Participants in any work assignment under the program may not fill established unfilled position vacancies.

Conference Agreement

The conference agreement follows the House bill and Senate amendment modified to specify that participants in CWEP, work experience and work supplementation may not fill established un-

filled position vacancies. The phrase in the House bill "with the intention of" is replaced by "with the effect of". JOBS funds may not be used to assist, promote, or deter union organization.

4. Application of standards of demonstration projects

Present Law

No provision.

House Bill

The House bill requires that the program standards described in items 1-3 above (work standards, displacement, wage rates) and the grievance procedure described in item Q below will also apply to any work-related demonstration projects under section 1115 of the Social Security Act.

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the House bill.

5. Net loss of income

Present Law

The WIN statute has no provision specifying whether a participant must accept a job at any particular wage rate. However, WIN regulations provide that when an income disregard is available, the wage must meet or exceed the Federal or State minimum wage law. When, as a result of becoming employed, no disregard is available, the wage, less mandatory payroll deductions and a reasonable allowance for necessary employment-related expenses, must provide an income equal to or exceeding the family's AFDC cash benefits. There is no similar requirement under the WIN demonstration or job search programs.

House Bill

The House provides that a participant may not be required to accept a position under the program (as work supplementation or otherwise) if accepting the position would result in a net loss of income to the family, including the insurance value of any health benefits. The individual is entitled to a fair hearing if there is any dispute over this finding of fact.

Senate Amendment

The Senate amendment requires that a participant may be required to accept a job under the program (as work supplementation or otherwise) only if the State agency assures that the participant's family will experience no net loss of cash income resulting from acceptance of such a job.

Conference Agreement

The conference agreement follows the Senate amendment modified so that a participant may be required to accept a job under the program only if the State agency assures that the participant's family will experience no net loss of cash income resulting from acceptance of such a job. Disputes related to this provision would be resolved through the normal fair hearing process.

M. TYPES OF SERVICES AND ACTIVITIES

(Section 102 of the House bill and section 201 of the Senate amendment.)

1. General requirements

Present Law

WIN regulations establish the following components:

- (1) public service employment;
- (2) activities to assist individuals in obtaining employment—employment search, including group job seeking, job development, exposure to labor market information, referrals, and job placement;
- (3) on-the-job training;
- (4) institutional training—vocational or other classroom training. Institutional training must average no more than 6 months with a maximum duration of one year for any individual.
- (5) work experience (program rules limit participation to 13 weeks); and
- (6) referral to other Federal or State employment or training programs.

WIN programs may also offer relocation assistance. The law requires that one-third of WIN funds must be used for on-the-job training and for public service employment.

CWEP programs must be designed to improve the employability of participants through actual work experience and training and to enable individuals employed under community work experience programs to move promptly into regular public or private employment. Programs are limited to projects which serve a useful public purpose in fields such as health, social service, environmental protection, education, urban and rural development and redevelopment, welfare, recreation, public facilities, public safety, and day care. To the extent possible, the prior training, experience, and skills of a recipient must be utilized in making appropriate work experience assignments. Participants in this program may not fill established unfilled position vacancies. The maximum number of hours in any month that members of a family may be required to work is the number which equals the amount of aid payable with respect to the family divided by the greater of the Federal or the applicable State minimum wage. The Governor of the State must provide coordination between a community work experience program and other programs authorized under the Social Security Act to insure that job placement will have priority over participation in the community work experience program.

Under present law for the work supplementation program, a State may use AFDC benefits to subsidize jobs by either public or private employers (sometimes referred to as grant diversion). Participation in work supplementation must be on a voluntary basis. Provision of Medicaid is optional.

Under the job search program, by regulation, activities may include group job search, job development, exposure to labor market information, work orientation, and referral. No individual may be required to participate more than 8 weeks in any 12-month period (except in the first year, when the total may be 16 weeks).

House Bill

The House bill requires that a range of services and activities be offered by each State. A State must offer items listed below that are marked with an asterisk. The State must also offer at least one service listed below that is not marked with an asterisk.

* (1) high school or equivalent education (combined with training when appropriate) designed specifically for participants who do not have a high school diploma;

* (2) basic and remedial education to achieve a basic literacy level, bilingual education for individuals with limited English proficiency, and specialized advanced education in appropriate cases;

(3) on-the-job training;

* (4) job skills training;

(5) work supplementation programs (see below);

(6) community work experience programs (see below);

* (7) group and individual job search (see below);

* (8) job readiness activities to help prepare participants for work;

* (9) counseling, information, and referral for participants experiencing personal and family problems;

* (10) job development, job placement, and follow up services to assist participants in securing and retaining employment and advancement as needed;

* (11) supportive services, including day care and transportation, reasonably necessary to participation; and

(12) other education and training activities as determined by the State and allowed by regulations of the Secretary.

Services may also include transitional employment to the extent funds are specifically appropriated for this purpose.

For each CWEP participant, the House bill requires a combination of work experience and training or educational services as part of a planned sequence of activities. Programs must be able demonstrably to (1) provide marketable skills to participants without previous work experience, (2) upgrade existing skills of those with limited previous work experience, or (3) transform obsolete skills into marketable skills.

The House bill adds a limitation that States establishing a CWEP program must ensure that each participant either (1) participate for a period not to exceed 6 months, with the maximum number of required hours of participation being a number equal to the amount of the benefit (excluding the portion for which the

State is reimbursed by a child support payment) divided by the highest of (a) the Federal minimum wage, (b) the applicable State or local minimum wage, or (c) the rate of pay for individuals employed in the same or similar occupations by the same employer; or (2) participate for a total of not more than 30 hours a week for a period not to exceed 3 months.

The House bill adds a limitation that no participant may be assigned to CWEP unless (1) the participant's initial assessment identifies lack of recent work experience as a barrier to immediate placement in regular public or private employment; (2) the participant is unable to be placed in employment; (3) the assignment is part of a planned sequence of activities designed to prepare the participant for regular public or private employment; and (4) the participant has not been employed during the preceding 6 months.

If at the conclusion of participation an individual has not become employed, the agency must conduct a reassessment and develop a new employability plan. The individual may not be required to participate in CWEP a second time.

The House bill retains present law with respect to the work supplementation program with modifications. Participation in work supplementation is mandatory for non-exempt recipients. A State may exempt work supplementation participants from retrospective budgeting. The House bill requires that States which choose to operate a work supplementation program provide Medicaid services to participants and children of relatives who would otherwise be eligible for benefits.

The House bill generally retains present law with respect to the job search program but, instead of limiting job search to 8 weeks out of any 12-month period, specifies that after an individual has had 8 weeks of job search without obtaining a job, the individual must engage in training, education, or other activities designed to improve prospects for employment. Job search by an applicant may be required or provided for while his or her application is being processed; and job search by a Network participant may be required or provided for after his or her initial assessment, after his or her education or training, and at other appropriate times as may be set forth in the agency-client agreement and as otherwise provided by the State agency.

Participation in job search without participation in one or more other services or activities shall not be sufficient to qualify as participation in the program after it has continued for 8 weeks without finding a job. The family support plan must be modified and the individual must participate in other activities designed to improve prospects for employment.

Senate Amendment

The Senate amendment provides that a range of services and activities may be offered by each State. A State must offer basic education and skills training, and at least 2 of the 3 items described in (5), (6) and (7) below.

(1) high school or equivalent education (combined with training when appropriate);

(2) remedial education to achieve a basic literacy level; English as a second language; post-secondary education (as appropriate);

(3) on-the-job training;

(4) job skills training;

(5) work supplementation programs;

(6) community work experience programs, and any other work experience program approved by the Secretary;

(7) group and individual job search;

(8) job readiness;

(9) job development, job placement, and follow-up services, as needed, to assist participants in securing and retaining employment and advancement; and

(10) other employment, education and training activities as determined by the State and allowed by regulations of the Secretary.

The Senate amendment retains present law with respect to the CWEP program, except that the maximum number of hours an individual may be required to work in a month is equal to the cash benefit divided by the greater of the Federal or the applicable State minimum wage, excluding the portion of the benefit for which the State is reimbursed by a child support payment.

The Senate amendment retains present law with respect to the work supplementation program with modifications. Participation in work supplementation may be mandatory or voluntary. The Senate amendment retains the present law rule that the existence of a work supplementation program does not excuse recipients from participation in other activities except when actually employed. The Senate amendment requires that States which choose to operate a work supplementation program provide Medicaid services to participants and children or relatives who would otherwise be eligible for benefits.

The Senate amendment generally retains present law with respect to the job search program, but adds that an individual may not be required to participate in job search for more than 3 weeks before the State agency conducts an employability assessment. Further, participation in job search shall not qualify as an activity under the program after an individual has participated for 4 out of the preceding 12 months. (Mandatory job search would remain limited to 8 weeks, as under present law.)

Conference Agreement

The conference agreement requires that a range of services and activities be offered by each State.

A State must offer all of the following items:

(1) educational activities (as appropriate), including high school or equivalent education (combined with training as needed), basic and remedial education to achieve a basic literacy level, and education for individuals with limited English proficiency;

(2) job skills trainings;

(3) job readiness activities;

(4) job development and job placement; and

(5) supportive services as provided in part III.

States must also offer two of the following four activities:

- (1) group and individual job search;
- (2) on-the-job training;
- (3) work supplementation programs; and
- (4) community work experience programs or any other work experience program approved by the Secretary.

A State may offer postsecondary education (as appropriate) and other education, training and employment activities as determined by the State and allowed by regulations of the Secretary.

The conferees intend that job search activities be intensive.

Although the above required components must be part of a State's program, the program need not be operated uniformly in all parts of a State. The conferees recognize the desirability of having programs that respond to varying circumstances, such as changes in the unemployment rate, and that reflect different needs, such as may exist in rural and urban areas. The conferees intend that States have the flexibility to design their programs to accommodate such differences.

The conference agreement retains present law with respect to the CWEP program, with modifications. After an individual has been assigned to a CWEP position for 9 months, the individual may not be required to continue in that assignment unless the maximum number of hours of participation is no greater than the cash benefit (excluding the portion of benefit for which the State is reimbursed by a child support payment) divided by the rate of pay for individuals employed in the same or similar occupations by the same employer at the same site. At the conclusion of each CWEP assignment, but, in any event, after each 6 months of participation in CWEP, the State agency must provide a reassessment, and revision, as appropriate, of the individual's employability plan.

The conference agreement retains present law with respect to the work supplementation program, with modifications. It follows the Senate provision that allows States to make participation in work supplementation either mandatory or voluntary; follows the House bill allowing States to exempt work supplementation participants from retrospective budgeting; and follows the House bill and Senate amendment requiring States to provide Medicaid to participants in work supplementation.

The conference agreement retains present law with respect to the job search program, with modifications. It retains the present law provision that limits required participation in a job search program to 8 weeks in any 12-month period (except in the year of application, when the total may be 16 weeks). It further provides that any additional job search may be required only in combination with some other education, employment, or training activity designed to improve prospects for employment. An applicant may be required to participate in job search (as in the House bill and Senate amendment). A recipient may not be required to participate in job search for more than 3 weeks before the State agency conducts an employability assessment (as in the Senate amendment). The conference agreement follows the Senate amendment providing that participation in job search shall not qualify as an activity

under the program after an individual has participated for 4 out of the preceding 12 months.

2. Special requirement for education services

Present Law

No provision.

House Bill

The House bill provides that before being required to participate in any other activity, any participant lacking a high school diploma must be required to participate in a program which addresses the education needs identified in the participant's initial assessment. Any other services or activities to which a participant is assigned may not interfere with participation in an appropriate education program. The requirement of education services for persons without a high school diploma may not be imposed with respect to any participant who demonstrates a basic literacy level and whose plan identifies a long-term employment goal that does not require a high school diploma. The House bill requires that education services be consistent with an individual's employment goals.

Senate Amendment

The Senate amendment provides that a State agency must require a parent under age 22 who has not completed high school to attend school regardless of the age of the child. A State may require the parent to participate in educational activities on a full-time basis. Alternative work or training activities may be provided if the parent fails to make good progress, or if it is determined pursuant to an educational assessment that participation in education is inappropriate. These are limited to 24 hours per week. In making the initial assessment and developing an employability plan for a participant who has attained age 22 and does not have a high school diploma, the State agency must place emphasis on meeting the participant's educational needs.

Conference Agreement

The conference agreement follows the House bill and Senate amendment as follows:

To the extent the JOBS program is available in the area and State resources permit, a State agency shall require a parent under age 20 who has not completed high school (or equivalent), including a parent who is not otherwise required to participate in JOBS solely because of the exclusion relating to providing care for a child under age 3, to participate in an educational activity. A State may require the parent to participate in educational activities directed at the attainment of a high school diploma (or equivalent) on a full-time (as defined by the educational provider) basis.

The conferees recognize that there will be some parents, particularly those who are beyond high school age, for whom enrollment in a regular high school program will not be appropriate. The State

agency will be expected to identify or develop alternative educational activities to meet the needs of those parents.

Alternative work or training activities may be provided if the parent fails to make progress, or if it is determined pursuant to an educational assessment that participation in education is inappropriate. Participation in alternative work or training activities is limited to 20 hours per week.

When an individual age 20 or over who does not have a high school diploma (or equivalent is required to participate in the program, the State agency must include education services as a component unless (1) the individual demonstrates a basic literacy level, or (2) the plan identifies a long-term employment goal that does not require a high school diploma (or equivalent). Any other services or activities to which a participant is assigned may not interfere with participation in an appropriate education component. Education services must be consistent with an individual's employment goals.

Child care must be guaranteed.

3. Services for children of participants

Present Law

No provision.

House Bill

The House bill provides that the State must encourage children in participating families to take part in any suitable education or training programs available under the program. The State's program must also provide these children with additional services designed to help them stay in school (including financial incentives as appropriate), complete their high school education, and obtain marketable job skills. Activities may not be permitted to interfere with school attendance.

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the House bill with modifications. To the extent the program is available and resources permit, the State must encourage children in participating families to take part in any suitable education or training programs available under JOBS. Activities may not be permitted to interfere with school attendance. The conferees do not expect that States will be required to develop special programs for children or youth, but if it is determined that the child of a participant would benefit from enrollment in a component of the JOBS program, the child must be encouraged to do so.

N. FEDERAL/STATE FUNDING

(Section 102 of the House bill and section 202 of the Senate amendment.)

Present Law

Under the present WIN statute, the Federal share is 90% of amounts appropriated and the State share is 10%. Ninety percent matching is available for all allowable expenditures, including both services and administration. The State share may be in cash or kind. Allocation of funds among States is as follows: 50% on the basis of the number of WIN registrants, and 50% on the basis of performance criteria established by the Secretary (these emphasize job placement).

Under present law, matching for the WIN demonstration program is the same for WIN. The statute requires that a WIN demonstration State's allocation equal its initial 1981 WIN allocation. As WIN appropriations have been reduced (from \$365 million in FY81 to \$93 million in FY88), the Administration has reduced State allocations accordingly, distributing funds on the basis of the State's share of the 1981 appropriations.

Under present law for the CWEP, work supplementation, and job search programs, the Federal share is 50% and the State share is 50% for costs of allowable program activities on an open-ended entitlement basis.

House Bill

The House bill provides Federal matching for education, training, and other non-administrative activities on an open-ended entitlement basis. The Federal match is 90% for expenditures up to the amount allotted to the State for WIN in FY87; of additional amounts, the Federal match is 65%. The Federal match for costs associated with administration is 50%. Matching for CWEP training is available at the 90% and 65% rates; matching for other CWEP costs is 50%. The House bill does not specify whether the State share may be in cash or kind.

The House bill provides that Federal funds made available to a State for purposes of the program under this section shall be used to augment and expand the existing services and activities which promote the purpose of this section, and shall not in whole or in part replace or supplant any State or local funds already being expended for that purpose.

None of the funds made available to a State for purposes of work-related program activities under the family support program, the Network program, or for demonstration projects in connection with the family support program may be used for construction.

Senate Amendment

The Senate amendment provides that Federal matching for JOBS program costs is available as a capped entitlement limited to \$500 million in FY 1989, \$650 million in FY 90, \$800 million in FY 91, and \$1 billion in FY 92 and years thereafter. The Federal match is 90% for expenditures up to the amount allotted to the State for WIN in FY 87. Of additional amounts, the Federal match is at the Medicaid matching rate, with a minimum Federal match of 60%, for non-administrative costs and for personnel costs for full-time staff working on the JOBS program. The match for other

administrative costs (including evaluation) is 50%. State matching for amounts above the 1987 WIN allocation must be in cash. States receive an amount equal to their WIN allotment for FY 87 (\$126 million for all States). Additional funds are allocated on the basis of each State's relative number of adult recipients.

Federal program funds may not be used to supplant non-Federal funds for existing services and activities. State or local expenditures for these purposes must be at least equal to expenditures for FY86.

Conference Agreement

The conference agreement follows the Senate amendment except that it provides that the cap will be \$600 million in fiscal year 1989, \$800 million in fiscal year 1990; \$1 billion in fiscal years 1991, 1992 and 1993, \$1.1 billion in fiscal year 1994 and \$1.3 billion in fiscal year 1995; and provides that JOBS program funds may not be used for construction.

O. PRIORITY/TARGET POPULATION

(Section 102 of the House bill and section 202 of the Senate amendment.)

Present Law

Under the present law WIN program, priority must be accorded to individuals in the following order, taking into account employability potential:

- (1) unemployed parents who are principal earners;
- (2) mothers, whether or not required to register, who volunteer for participation;
- (3) other mothers, and pregnant women, registered for WIN, who are under age 19;
- (4) dependent children and relatives age 16 and above who are not in school or engaged in work or training;
- (5) all other individuals.

Establishment of a priority population is at State discretion for all other programs.

House Bill

The House bill stipulates that the program must establish specific target populations to include:

- (1) families that have received assistance continuously for 2 or more years (20 out of 24 consecutive months);
- (2) families with a teenage parent, and families with a parent who was under age 18 when the first child was born;
- (3) families with a parent who lacks a high school diploma or its equivalent;
- (4) families in which the youngest child is within 2 years of being ineligible for assistance because of age.

To the extent that resources are not adequate, priority for services must be accorded as follows:

(1) first to individuals who are not required to participate and who volunteer, if they are included in 2 or more of the target groups (described above);

(2) second to individuals who are required to participate if they are included in 2 or more of the target groups (described above);

(3) third to other individuals who are not required to participate and who volunteer;

(4) fourth to other individuals who are required to participate.

Among those who are required to participate, first consideration for services must be given to those who actively seek to participate.

A State that provides satisfactory assurances that it will make available the resources to serve all mandatory and voluntary participants within a 3-year period after the effective date will not have to apply the above priorities until the expiration of the 3-year period.

If a voluntary participant drops out of the program after having participated, he or she shall not be given priority so long as other mandatory or voluntary participants seek to participate.

Senate Amendment

The Senate amendment provides that Federal matching is reduced to 50 percent unless 50 percent of funds are spent on the following target populations:

(1) recipients who have received assistance for any 30 of the preceding 60 months;

(2) applicants who have received assistance for any 30 of the 60 months immediately preceding application;

(3) custodial parents under age 24 who (a) have not completed high school and are not enrolled in high school or an equivalent course; or (b) had little or no work experience in the preceding year.

Within the target groups, States must give first consideration for participation to individuals who volunteer.

The Senate amendment requires that the Secretary submit recommendations to the Congress every 2 years for modifications or additions to the target groups that the Secretary determines would further the goal of assisting long-term or potential long-term recipients to achieve self-sufficiency.

Conference Agreement

The conference agreement follows the Senate amendment with modifications. It would reduce Federal matching to 50 percent unless 55 percent of funds are spent on the following target populations:

(1) families in which the custodial parent is under age 24 and (a) has not completed high school or is not enrolled in high school or an equivalent course; or (b) had little or no work experience in the preceding year;

(2) families in which the youngest child is within 2 years of being ineligible for assistance because of age;

(3) families who have received assistance for more than 36 months during the preceding 60-month period.

The above target requirements may be waived if a State demonstrates to the satisfaction of the Secretary that the characteristics of the caseload in the State make it infeasible to meet the requirements, and that the State is targeting other long-term or potential long-term recipients.

Within the target groups, States must give first consideration for participation to individuals who volunteer.

If a voluntary participant drops out of the program without good cause after having participated, he or she shall not be given priority so long as other mandatory or voluntary participants seek to participate.

The Secretary must submit recommendations to the Congress every 2 years for modifications or additions to the target groups that the Secretary determines would further the goal of assisting long-term or potential long-term recipients to achieve self-sufficiency.

P. PARTICIPATION REQUIREMENTS

(Section 202 of the Senate amendment.)

Present Law

Under present law for the WIN program, a State's Federal AFDC matching share must be reduced by one percentage point for each percentage point by which the number of individuals certified as ready for employment or training (by virtue of the provision of necessary supportive services) is less than 15 percent of the average number of individuals in the State who, during the year, are required to register for WIN.

House Bill

No provision.

Senate Amendment

The Senate amendment provides that a State's Federal matching rate for the JOBS program is reduced to 50% for any year in which it fails to engage the following percentage of non-exempt welfare recipients in the program: 10% in FY 90 and FY 91, 14% in FY 92 and FY 93, and 22% in FY 94. (The penalty does not apply in FY 90.)

A State meets the participation requirements for a year if its average participation rate for the computation periods in the year is at least as great as the rate specified above. Within each computation period, the participation rate is determined as the average of (1) the average monthly participation rate for the computation period and (2) the participation for the month in that period in which the participation rate was highest. The computation periods are: the entire year in FY 90, January-June and July-December in FY 91, calendar quarters in FY 92 and FY 93, and months in FY 94.

The rate is computed by dividing the number of actual participants (including volunteers) in the JOBS program by the number of individuals who are mandatory participants under the terms of the bill. (Mandatory participants for this calculation do not include parents caring for children under age 3 or the second parent in unemployed parent families even if the State opts to require their participation.) Participation must be something more than simple registration for the JOBS program; it must meet State-established requirements which are consistent with regulations of the Secretary. The participation rate standards cease to apply after 1994.

If a State fails to meet the required participation rate for a year, the Secretary may waive the penalty (in whole or part) if the State otherwise is operating a JOBS program in conformity with the law, has made a good faith effort to meet the participation rate requirement, and has submitted a proposal which is likely to achieve the required participation rate for subsequent years.

A State must require at least one parent in a two-parent family eligible on the basis of the unemployment of the principal earner (AFDC-UP) to participate at least 16 hours a week in a work supplementation, CWEP, or other work experience program. (See description of AFDC-UP for additional requirements that a State may make applicable.) To meet this requirement, a State that currently has a UP program must engage 50 percent of UP families in a program in fiscal year 1994, and 100 percent in 1995 and thereafter. States currently without a UP program must meet these requirements in fiscal years 1995 and 1996 and thereafter.

Conference Agreement

The conference agreement follows the Senate amendment except as follows:

Basic AFDC Caseload.—Requires States to meet a monthly participation rate of 7 percent in fiscal years 1990 and 1991, 11 percent in fiscal years 1992 and 1993; 15 percent in fiscal year 1994; and 20 percent in fiscal year 1995. These participation rates are expected to result in the following numbers of new participants (over the present law CBO baseline): 240,000 in fiscal year 1991; 360,000 in fiscal year 1992; 360,000 in fiscal year 1993; 545,000 in fiscal year 1994; and 800,000 in fiscal year 1995.

AFDC-UP Caseload.—One parent must participate at least 16 hours per week, but, with respect to CWEP, not more hours than the minimum wage equivalent based on the welfare payment less the portion reimbursed by child support. (While participation in CWEP of less than 16 hours because of the minimum wage rule will qualify as meeting this requirement, participation which is less than 16 hours because of the wage rates rule applicable after 9 months participation (see item M. for discussion) will not qualify.) Participation must be in work supplementation, community work experience or other work experience program, on-the-job training, or a State designed work program approved by the Secretary.

The requirement would apply to 40 percent in 1994, 50 percent in 1995, 60 percent in 1996, and 75 percent in 1997-1998 (calculated so that, on average, these percentages of the caseload would be participating in each month of the year). The requirement would ex-

clude families who have been on the rolls less than 2 months provided that at least one parent in such families participates in intensive job search during those two months.

A State may substitute participation in an educational program leading to a high school diploma or GED or other basic education program in the case of a parent under age 25 who has not completed high school.

If a State fails to meet the work requirements for a year, the Secretary may waive the penalty (in whole or in part) if the Secretary finds that the State otherwise is operating a JOBS program in conformity with the law, has made a good faith effort to meet the participation rate requirement but has been unable to do so because of economic conditions in the State recipients living in remote locations or isolated rural areas where the availability of work sites is severely limited or because of rapid and substantial increases in caseload that cannot reasonably be planned for, and has submitted a proposal that is likely to achieve the required participation rate for subsequent years.

Q. GRIEVANCE PROCEDURE

(Section 103 of the House bill and section 201 of the Senate amendment.)

Present Law

No provision.

House Bill

The House bill provides that the Secretary of Labor is responsible for implementing and carrying out the following provisions:

(1) Each State welfare agency must establish and maintain a grievance procedure for dealing with complaints about its programs and activities from participants, subgrantees, subcontractors, and other interested persons. Hearings on any complaint must be conducted within 30 days after the complaint is filed and a decision must be made no later than 60 days after the filing.

(2) The decision of the State agency may be appealed to the Secretary of Labor and the complaint itself may be appealed to the Secretary of Labor if the State agency fails to make a decision within the prescribed 60-day period.

(3) Whenever the Secretary of Labor receives an appeal or has reason to believe that the program standards described in 1, 2, or 3 of item L have been violated, the complaint must be transmitted at the same time to the entity alleged to have committed the violation. An opportunity shall be afforded the entity to review the complaint and to submit a reply to the Secretary within 15 days after receiving the copy of the complaint.

(4) An official designated by the Secretary of Labor must review any complaint and conduct an investigation to determine whether there is substantial evidence that the affected activities fail to comply with the program standard requirements. Findings and recommendations must be reported to the Secretary within 60 days after commencing the review. Within 45 days after receiving the report, the Secretary must issue a final determination as to wheth-

er a violation has occurred, and must institute proceedings to compel the repayment of any funds determined to have been expended in violation of the program standard requirements.

(5) The existence of the remedies available under the grievance procedure may not preclude any person who alleges that an action of a State agency violates provisions relating to working conditions, displacement, wage rates, workers' compensation, tort claims protection, grievance procedures, and use of funds for construction from instituting a civil action or pursuing any other remedy authorized under Federal, State, or local law.

(6) Regulations to carry out the program standard provisions must be issued by the Secretary of Labor in consultation with the Secretary of HHS following the same timetable required for other regulations for NETWork.

Senate Amendment

The Senate amendment requires that the State establish and maintain (pursuant to regulations jointly issued by the Secretaries of HHS and Labor) a grievance procedure for resolving complaints by regular employees or their representatives that the assignment of an individual under the program violates any of the above prohibitions. A decision of the State may be appealed to the Secretary of Labor for investigation and such action as the Secretary finds necessary.

Conference Agreement

The conference agreement follows the Senate amendment with modifications. The State must establish and maintain (pursuant to regulations jointly issued by the Secretaries of HHS and Labor) a grievance procedure for resolving complaints by regular employees or their representatives that the assignment of an individual under the program violates displacement provisions.

A decision of the State may be appealed to the Secretary of Labor for investigation and such action as the Secretary finds necessary. (Disputes relating to work standards, wage rates, and workers' compensation will be handled as described in item II.C.4.)

R. SPECIAL PROVISION FOR INDIAN TRIBES

(Section 202 of the Senate amendment.)

Present Law

No provision.

House Bill

No provision.

Senate Amendment

The Senate amendment provides that Indian tribes (or Alaska Native organizations) may apply to operate work, training, and education programs. Application must be made no later than 6 months after enactment. If an application is made and approved,

the Secretary may grant funds to the tribe or Alaska Native organization (without a non-Federal matching requirement) to operate such a program. The amount of funds will be based on the ratio of adult recipients in the tribe relative to the adult recipients in the State multiplied by the State's JOBS program allocation under the entitlement cap. (The State's cap will be appropriately reduced.) Requirements of the JOBS program may be waived if the Secretary determines that they would be inappropriate.

Conference Agreement

The conference agreement follows the Senate amendment.

S. REGULATIONS

(Section 102 of the House bill and section 204 of the Senate amendment.)

Present Law

No provision.

House Bill

The House bill requires the Secretary of HHS to issue regulations for implementing the Network program within 6 months after enactment, and publish final regulations within 9 months after enactment. Regulations must be developed by the Secretary in consultation with the Secretary of Labor and with the State welfare agencies.

Senate Amendment

The Senate amendment requires that proposed regulations be issued by the Secretary of HHS within six months after the date of enactment; final regulations must be published by one year after the date of enactment.

Conference Agreement

The conference agreement follows the Senate amendment with respect to the timetable for issuing regulations, and the House bill with respect to the consultation required in the development of the regulations.

T. PERFORMANCE STANDARDS AND REPORTING REQUIREMENTS

(Section 103 of the House bill and section 204 of the Senate amendment.)

Present law

No provision.

House Bill

The House bill requires that the Secretary of HHS establish performance standards for State network programs (to do so, he is directed to contract with the National Academy of Sciences). The

standards must be designed to evaluate the success of services provided and activities conducted and must at a minimum (in the following order of priority):

- (1) provide methods for measuring the degree to which States are targeting their programs to those in each priority group who will have the most difficulty finding employment;

- (2) provide methods for determining whether States are providing intensive services under the program, tailored to the individual needs of participants and fully calculated to produce self-sufficiency;

- (3) take into account the extent to which the program results in long-term job retention, reduced welfare dependency, educational improvements, and placement in jobs in which health benefits or child care are provided;

- (4) provide methods for measuring the degree to which States are placing strong emphasis on participation by volunteers among priority groups;

- (5) give appropriate recognition to the likelihood that unemployment and other factors will influence the success of the employment program;

- (6) measure the cost effectiveness of the employment portion of the program and the welfare savings that result from the program;

- (7) establish expectations for placement rates, including the minimum rate at which participants within each priority group are to be placed in jobs or complete their education or both; and

- (8) take into account such other factors as are deemed important.

Performance must be measured by outcome and not by levels of activity or participation, and must be based on the degree of success which may reasonably be expected of States in carrying out programs that help individuals achieve self-sufficiency and in reducing welfare costs. The performance standards must be periodically reviewed by the Secretary and modified to the extent necessary.

The House bill directs the Secretary to contract with the National Academy of Sciences to develop the performance standards. The Academy must establish an advisory committee including representatives of Congress, State and local agencies administering Network programs, the Secretaries of Labor and HHS, State job training coordinating councils, labor organizations, business organizations, education agencies, researchers, community based organizations, and organizations representing eligible participants. The proposed performance standards developed by the advisory committee must be submitted to the appropriate committees of Congress prior to their submission to the Secretary.

The House bill provides that the Secretary may collect preliminary information from the States to assist in the development of performance standards.

Preliminary guidelines to facilitate compliance with performance standards must be established within 12 months after the date of enactment. Final standards must be published no later than 24 months after enactment.

The Secretary must conduct evaluations of each State's progress toward meeting the performance standards, and submit an annual report to the Congress.

If a State fails to meet the performance standards, the Secretary must provide technical assistance, and review the State's compliance (no later than 6 months after providing technical assistance).

The Secretary must periodically (but not more frequently than every 3 years) review the performance standards.

The Secretary must develop and transmit to the Congress, for appropriate legislative action, a proposal for modifying the Federal matching rate to reflect the relative effectiveness of the various States in carrying out the Network program.

The Secretary must establish uniform reporting requirements under which States must periodically furnish information and data, including, but not limited to, average monthly number of families assisted, types of families, amounts spent per family, and length of participation. These data would be required for each Network activity.

Senate Amendment

The Senate amendment requires that no later than five years after enactment, the Secretary must develop performance standards and submit his recommendations for such standards to the Congress. Standards must be developed in consultation with representatives of organizations representing Governors, State and local administrators, educators, and other interested persons, and be based in part on the results of implementation and effectiveness studies. Recommendations must be made with respect to specific measures of outcomes, such as participation rates, income gains, and placement rates.

Conference Agreement

The conference agreement follows the Senate amendment with modifications.

No later than 3 years after the mandatory effective date of the program, the Secretary must develop performance standards and submit his recommendations for such standards to the committees of Congress with jurisdiction over the program.

Standards must be developed in consultation with the Secretary of Labor, representatives of organizations representing Governors, State and local administrators, educators, State job training coordinating councils, community-based organizations, recipients, and other interested persons, and be based in part on the result of implementation and effectiveness studies.

In developing performance standards, the Secretary should consider the measures of performance identified in the House bill as illustrative of the types of factors which are to be taken into account.

Performance must be measured by outcome and not only by levels of activity or participation, and must be based on the degree of success which may reasonably be expected of States in carrying out programs that help individuals increase earnings, achieve self-sufficiency, and reduce welfare dependency. The performance

standards must be periodically reviewed by the Secretary and modified to the extent necessary.

The Secretary may collect information from the States to assist in the development of performance standards.

The Secretary must develop and transmit to the Congress, for appropriate legislative action, a proposal for measuring State progress, providing technical assistance to enable States to meet standards, and modifying the Federal matching rate to reflect the relative effectiveness of the various States in carrying out the program.

The Secretary must include in the regulations that he issues with respect to the JOBS program, regulations that establish uniform reporting requirements under which States must periodically furnish information and data, such as average monthly number of families assisted, types of families, amounts spent per family, length of participation, and such other information and data as the Secretary may determine. These data must be provided for each program activity.

U. EVALUATIONS/EFFECTIVENESS STUDIES

(Section 804 of the House bill and section 204 of the Senate amendment.)

1. Implementation and evaluation studies

Present Law

No provision.

House Bill

The House bill requires the Secretary to provide for the continuing evaluation of programs, for research on ways to increase their effectiveness, and for technical assistance to States, localities, schools and employers who participate in the program and request or require assistance. Research on increasing the effectiveness of programs must include: the effectiveness of giving priority to participants who actively seek to participate; appropriate strategies for assisting 2-parent families; wage rates of people placed under the program; the most effective approaches in meeting the needs of specific groups and types of participants; and the effect of targeting on families with children below age 6.

The House bill authorizes \$20 million during a five year period to fund an interagency panel composed of representatives of OMB, CBO, CRS, and GAO to design, implement, and monitor a series of implementation and evaluation studies to assess the methods and effects of the work, education and training program. The panel is required to report annually for five years. The panel must appoint a 12-member advisory board including representatives of business, labor, academia, children's groups, and others.

Senate Amendment

The Senate amendment has no provision requiring the continuing evaluation of programs.

The Senate amendment requires the Secretary to conduct an implementation study based on a representative sample of States and localities, and to document with respect to JOBS programs (1) the types, mix, and costs of services offered, (2) participation rates or activity levels, (3) the characteristics of the individuals in the different types of activities, (4) the provisions made for child and day care and the extent to which limitations exist with respect to the availability of such care, (5) the institutional arrangements and operating procedures under which activities are offered in the different locations, and (6) such other factors as the Secretary deems appropriate. The bill authorizes an appropriation of \$500,000 for each of fiscal years 1989, 1990, and 1991.

Conference Agreement

The conference agreement follows the House bill requiring the Secretary to provide for the continuing evaluation of programs and follows the Senate amendment requiring the Secretary to conduct an implementation study based on a representative sample of States and localities. The conference agreement authorizes \$500,000 for each of fiscal years 1989, 1990, and 1991 for the Secretary's implementation study.

2. Effectiveness study

Present Law

No provision.

House Bill

No provision.

Senate Amendment

The Senate amendment directs the Secretary to conduct a study to determine the relative effectiveness of the different approaches used by States under the JOBS program for assisting long-term recipients. The study must be based on data gathered from demonstration projects conducted in five States. Projects must be conducted for a period of not less than three years.

Demonstration projects must use specific outcome measures to test the effectiveness of particular programs, including educational status, employment status, earnings, receipt of child support supplements, receipt of other transfer payments, and to the extent possible, the poverty status of participating families. Projects must involve use of experimental and control groups composed of a random sample of participants.

Participating States must provide the Secretary interim data from the effectiveness demonstration projects. The Secretary must report to the Congress annually on the progress of the projects, and not later than one year after the date of final data collection, must submit the effectiveness study to the Congress.

The Senate amendment authorizes an appropriation of \$10 million for each of fiscal years 1989 through 1993 for payments to States conducting demonstration projects.

Conference Agreement

The conference agreement follows the Senate amendment with respect to State evaluations with modifications.

The Secretary is directed to conduct a study to determine the relative effectiveness of the different approaches used by States under the program for assisting long-term recipients, as in the Senate amendment. As in the House bill, the Secretary must appoint an advisory panel to design, implement, and monitor the study. The panel may include representatives of OMB, CBO, CRS, GAO, and such other individuals and organizations as the Secretary may determine. The conference agreement provides \$5 million for fiscal years 1990 and 1991 for evaluation and effectiveness studies.

*3. Impact on Indians**Present Law*

No provision.

House Bill

No provision.

Senate Amendment

The Senate amendment requires that the Secretaries of HHS and Interior conduct a study of the effectiveness of the JOBS program for Indians.

Conference Agreement

The conference agreement follows the Senate amendment.

V. WIN TRANSITION/EFFECTIVE DATE

(Section 104 of the House bill and section 202 of the Senate amendment.)

Present Law

The WIN program is permanently authorized.

The authority for the WIN demonstration program expires October 1, 1990.

House Bill

The House bill repeals the WIN program effective October 1, 1989 and replaces it with the Network program. States may elect to participate in Network before October 1, 1989 by notifying the Secretary of HHS.

Each State welfare agency would be required to carry out an initial evaluation of the characteristics of potential Network participants within 6 months after the date of enactment. Particular attention must be given to current and future labor market demands, and any changes needed in the current delivery system. The evaluation must be structured to produce accurate and usable information on the age, family status, educational and literacy levels, duration of eligibility for family support supplements, and work experi-

ence of potential participants in Network, including numbers of such individuals and families in each category. The Secretary of IIRIS, in consultation with the Secretary of Labor, must provide technical assistance to the States as they develop their initial evaluations. The Secretary of HHS must transmit copies of the initial evaluations from each State to the advisory committee and to the National Academy of Sciences for use in preparation and review of performance standards.

Each State would receive \$100,000 to help finance its initial evaluation from amounts available to the Secretary of HHS for fiscal year 1988. Such sums as may be necessary would be authorized for fiscal year's 1988 and 1989 to carry out the WIN transition. Ten percent of the WIN appropriation each year would be for carrying out the initial State evaluations and for technical assistance and planning grants. In allocating these amounts, the Secretary would take into account each State's prior year's allocation and the relative share of recipients in each State for the most recent year. Each State must ensure that at least 10 percent of the costs are covered from non-Federal sources. Non-Federal contributions may be in cash or in kind.

Senate Amendment

The Senate amendment repeals the WIN program effective October 1, 1990 and replaces it with the JOBS program. The WIN demonstration authority is extended through fiscal year 1990.

A State may implement a JOBS program before October 1, 1990 (after proposed regulations have been published). The JOBS funding limitation for a State that operates a program for less than a full fiscal year must be adjusted to reflect the portion of the year during which the JOBS program will be in effect in the State.

Conference Agreement

The conference agreement follows the Senate amendment with respect to the effective date of the JOBS program.

The conference agreement follows the House bill with respect to initial State evaluations of the characteristics of potential participants with modifications. It allows, rather than requires, States to conduct these evaluations. It deletes the requirement that the Secretary transmit copies of the evaluations to the advisory committee and the National Academy of Sciences. It adds a requirement that the Secretary take evaluations into account in developing performance standards.

W. TRANSITIONAL EMPLOYMENT

(Section 105 of the House bill.)

Present Law

No provision.

House Bill

The House bill provides that transitional employment with a public or private nonprofit employer for no more than 6 months

(unless another 6-month period is determined to be necessary) would be authorized for participants who have completed their Network activities but still are unable to find jobs. The individual must have participated in other Network activities, including job search, for 6 months. Priority would be given to transitional jobs in services to other participants, such as day care or transportation, and to jobs likely to lead to unsubsidized employment. Such sums as may be necessary would be authorized.

Effective date: Upon enactment.

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the Senate amendment; i.e., no provision.

X. CAREGIVERS AND CHILD CARE

(See additional child care provisions in section III.)
(Section 105 of the House bill.)

1. Training of caregivers

Present Law

No provision.

House Bill

The House bill requires that each State institute a program to provide grants for training for child care personnel in such areas as child growth and development, communications and families, health and safety and administration and management. Child care personnel may include employees of child care centers, family day care providers, and others meeting standards set by Title IV of the Social Security Act.

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the Senate amendment (i.e., no provision).

2. Child care supply

Present Law

No provision.

House Bill

The House bill provides that any State may institute a program to provide grants to local nonprofit child care programs to establish or renovate child care centers and family day care homes that

meet standards under Title IV of the Social Security Act and that will serve participants in NETWork activities. Grants could be used also to help day care providers to comply with health and safety standards.

A sum not exceeding \$150,000,000 would be authorized for each fiscal year to fund training of caregivers and child care supply.

Effective date: Upon enactment.

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the Senate amendment (i.e., no provision).

TITLE III.—TRANSITIONAL ASSISTANCE FOR FAMILIES AFTER LOSS OF AFDC ELIGIBILITY

A. CHILD CARE DURING PARTICIPATION IN WORK, EDUCATION AND TRAINING

(Section 201 of the House bill and section 301 of the Senate amendment.)

1. General requirement

Present Law

Under the WIN program, the State agency must provide child care necessary to enable individuals to accept employment or receive training. When more than one kind of child care is available, the mother may choose the type, but she may not refuse to accept child care services if they are available. Under the CWEP and job search programs, the State agency must provide child care necessary for participation. Child care under the WIN demonstration and work supplementation programs is at State discretion.

House Bill

The House bill requires that the State guarantee child care (including day care for an incapacitated individual) to the extent that it is determined by the agency to be directly related to an individual's participation in work, education or training; reasonably necessary for participation; and cost-effective. (Cost effective is defined to mean care furnished within the following specified dollar limitations: \$175 per month for a child age 2 or over and \$200 per month for a child under age 2.) The House bill also specifies that child care must be appropriate for the age and individual needs of the child.

Senate Amendment

The Senate amendment requires the State agency to guarantee child care (including day care for an incapacitated individual) to the extent that it is determined by the agency to be necessary for

an individual's participation in employment, education, and training under JOBS.

Conference Agreement

The conference agreement provides that the State agency must guarantee child care to the extent that it is determined by the agency to be necessary for an individual's employment. The State agency must also guarantee child care for education and training activities (including participation in the JOBS program) if the State agency approves the activity and determines that the individual is satisfactorily participating in the activity. Whenever the State agency arranges child care, the agency shall take into account the individual needs of the child.

2. Methods of providing/reimbursing care

Present Law

Under the WIN program, the agency may provide care through arrangements with others or otherwise. Under the CWEP program, funds may be used to pay for day care that is provided either directly or indirectly by the State agency, and that is directly attributable to participation. Under the job search program, services necessary to enable an individual to participate must be furnished by the agency. If not provided directly or by contract, the agency must pay (in advance or by reimbursement) expenses reasonably incurred in meeting job search requirements.

House Bill

The House bill allows the State to provide care directly or reimburse the family (in advance whenever possible) for the costs of care incurred in any month. Reimbursements may be made by contract or certificate, or by disregarding the costs of care from the earned income of the family as provided in the bill. The House bill requires that any changes a State makes to its method of reimbursing day care costs may not have the effect of disadvantaging individuals or families receiving aid on the date of enactment, by reducing their income or otherwise.

Senate Amendment

The Senate amendment allows the State agency to provide care itself, arrange care by use of contract or vouchers, provide cash or vouchers in advance to the caretaker relative, reimburse the caretaker relative, or adopt any other arrangements deemed appropriate by the agency.

Conference Agreement

The conference agreement provides that the State agency may provide care itself, arrange care by use of contract or vouchers, provide cash or vouchers in advance to the caretaker relative, reimburse the caretaker relative, or adopt any other arrangements deemed appropriate by the agency. Regardless of the method selected by the State agency to provide care, reimbursement for the cost

of care with respect to a family may not be less than the amount of the child care disregard for which the family is otherwise eligible. (The disregard is limited to the lower of actual costs or the amounts specified in item II.F.1.) However, in no case may amounts payable for child care exceed applicable local market rates.

The conference agreement provides that any changes a State makes in its method of reimbursing child care costs may not have the effect of disadvantaging families receiving aid on the date of enactment by reducing their income or otherwise.

This provision applies to an individual participating in an employment, education or training activity (including participation in the JOBS program) if the State agency approves the activity and determines that the individual is satisfactorily participating in the activity.

3. Federal matching rate

Present Law

The Federal matching rate under the WIN program is 90% (subject to appropriation and allocation among States). For other programs, the Federal matching rate is 50% (open-ended entitlement).

House Bill

The House bill sets the Federal matching rate at the Medicaid rate (50%-80%, open-ended entitlement).

Senate Amendment

The Senate amendment is the same as the House bill with a modification to require that funds not be used for construction or rehabilitation of facilities.

Conference Agreement

The conference agreement follows the Senate amendment.

4. Dollar limitation per child

Present Law

Under the WIN, WIN demonstration, work supplementation, and job search programs, there is no Federal limit on the amount that may be paid for child care. Under the CWEP program, the State agency may establish amounts that it considers to be reasonable, necessary, and cost-effective, but not in excess of \$160 per child per month.

House Bill

The House bill stipulates that Federal matching funds are not available for amounts in excess of \$175 per month for a child age 2 and over or \$200 per month for a child under age 2. It provides that States may make additional reimbursements from non-Federal funds.

Senate Amendment

The Senate amendment stipulates that dollar amounts for JOBS participants must be within limits prescribed by the State, but not in excess of applicable local market rates (determined by the State in accordance with regulations of the Secretary).

Conference Agreement

The conference agreement provides that Federal matching is available for expenditures for child care that are within limits established by the State (subject to item III A. 2 above), but not in excess of applicable local market rates (as determined by the State in accordance with regulations of the Secretary).

5. Child care standards

Present Law

Under the WIN program, child care must meet applicable standards of State and local law. Under all other programs, child care standards are at State discretion.

House Bill

The House bill requires that child care involving more than 2 children at the same time meet applicable standards of State and local law. Report language indicates that the bill would require child care services to meet applicable standards of State and local law and would also require child care services involving more than 2 children to meet standards set by the State that ensure basic health and safety protections.

The House bill provides that no amounts for child care may be expended for any services unless the entity providing care provides parental access; posts in clear public view the telephone number for filing any complaint regarding quality or health or safety violations; and complies fully with all local health and fire safety standards (as required under the provision relating to child care standards described above).

The House bill further provides that no State receiving Federal funds for child care may reduce the level of child care licensing requirements or other standards applicable to child care provided within the State on the date of enactment of this Act.

Senate Amendment

The Senate amendment is the same as present law under WIN.

Conference Agreement

The conference agreement required that child care meet applicable standards of State and local law.

States must establish procedures to assure that center-based child care will be subject to requirements designed to ensure basic health and safety, including fire safety protections. The State must also endeavor to develop guidelines for family day care. The State must provide the Secretary with a description of these State- and

local-determined requirements and guidelines, which shall be used by the Secretary to make a report to the Congress on the nature and content of State and local standards for health and safety. The report will be due within 2 years after the effective date of the above provisions.

No amounts for day care may be expended for any services unless the entity providing care provides parental access.

The conference agreement authorizes \$13 million for each of fiscal years 1990 and 1991 for grants to States to improve their child care licensing and registration requirements and procedures, and to monitor child care provided to AFDC children. States must provide 10% in matching funds. Allocation is on the basis of each State's relative number of AFDC children.

The conference agreement does not give the Secretary authority to establish Federal day care standards. It is not the intent of Congress to stipulate specific day care standards for States or localities.

6. Income and tax treatment of child care benefits

Present Law

No provision.

House Bill

The House bill requires that the value of any day care provided under this act not be treated as income for any other Federal or Federally-assisted need-based program and may not be claimed as an employment-related expense for tax purposes.

Senate Amendment

The Senate amendment is the same as the House bill.

Conference Agreement

The conference agreement follows the House bill and the Senate amendment.

7. Effective date

House Bill

The House bill provides an effective date of October 1, 1987; or, in the case of a State whose legislature is not in regular session on the date of enactment and State legislation is needed, on the first day of the first fiscal year beginning after the legislature has convened for a regular session during which a budget is (or is scheduled to be) adopted.

Senate Amendment

The Senate amendment provides an effective date which is the same as the effective date of the JOBS program. States must implement JOBS by October 1, 1990, and may implement sooner if they have an approved plan.

Conference Agreement

The conference agreement follows the Senate amendment.

B. TRANSITIONAL CHILD CARE ASSISTANCE

(Section 201 of the House bill and section 301 of the Senate amendment)

1. General requirement

Present Law

Under the WIN program regulations, necessary supportive services, including child care, must continue for a period of 30 days after a WIN participant starts unsubsidized employment, and may continue for a maximum of 90 days at the discretion of the WIN supportive services unit. Under WIN demonstrations programs, transitional child care assistance is at State discretion. The CWEP, work supplementation, and job research programs have no transitional child care requirements. A number of States provide child care to AFDC recipients who leave the rolls because of employment through their title XX (Social Services) programs. Under title XX, States establish their own fee schedules. Child care provided with title XX funds must meet applicable standards of State and local law.

House Bill

The House bill provides that in any case where a family has ceased to receive family support supplements as a result of earnings, the caretaker relative continues to be entitled to reimbursement for the costs (subject to applicable dollar limitations) determined by the State agency to be necessary for an individual's participation in employment.

The House bill provides that except for the limitations and fee requirements described in the provision below, child care provisions for transitional assistance (including the Federal matching rates, dollar limitations, standards, and methods for providing care) are the same as the provisions for child care received during participation in the Network program.

Senate Amendment

The Senate amendment requires that the State agency guarantee child care to the extent the care is determined by the State agency to be necessary for an individual's employment in any case where a family has ceased to receive assistance as a result of increased hours of, or increased income from employment, or as a result of the loss of earnings disregards.

The Senate amendment provides, as does the House bill, that except for the limitations and fee requirements described in the provision below, child care provisions for transitional assistance (including the Federal matching rates, dollar limitations, standards, and methods for providing care) are the same as the provisions for child care received during participation in the JOBS program.

Conference Agreement

The conference agreement follows that Senate amendment.

2. Limitations on assistance

Present Law

No provision.

House Bill

The House bill limits transitional care as follows:

- (1) care is limited to a period (determined by the State) of at least 12 months after the last month for which the family actually received assistance;
- (2) the family must include a child who is a dependent child; and
- (3) family income may not equal or exceed 150 percent of the OMB non-farm income official poverty line.

Senate Amendment

The Senate amendment limits transitional care as follows:

- (1) the family must have received assistance in at least three of the six months immediately preceding the month of ineligibility;
- (2) care is limited to a period of nine months after the last month for which the family actually received assistance, and a total of nine months out of the preceding 36 months;
- (3) the family must include a child who is (or would if needy be) a dependent child.

Under the Senate amendment, a family may not be eligible for care for any month after which the caretaker relative has (1) submitted false or misleading information in order to obtain assistance; (2) been subject to a sanction in the preceding 12 months for failure to meet JOBS employment and training participation requirements; (3) without good cause, terminated employment, refused to accept employment, or reduced the hours of employment; or (4) failed to cooperate with the State in establishing and enforcing child support obligations.

Conference Agreement

The conference agreement provides that child care is limited to a period of 12 months after the last month for which the family actually received assistance.

The Secretary of Health and Human Services is directed to study whether individuals are returning to the welfare rolls in order to requalify for additional months of transitional benefits. If the study shows that this is occurring, the Secretary shall issue regulations which restrict requalification. Such regulations may be issued no sooner than October 1, 1991.

3. *Fee requirement*

Present Law

No provision.

House Bill

The House bill requires that the family contribute to the cost of care in accordance with a sliding scale formula based on ability to pay, established by the State.

Senate Amendment

The Senate amendment requires that the family contribute to the cost of care in accordance with a sliding scale based on ability to pay, established by the State and approved by the Secretary.

Conference Agreement

The conference agreement follows the House bill. The conferees note that the Secretary has authority to approve fee schedules as part of the Department's general regulatory and plan approval responsibilities.

4. *Study of effects*

Present Law

No provision.

House Bill

No provision.

Senate Amendment

The Senate amendment requires that the Secretary of HHS conduct a study on the effectiveness of the child care transition provisions in reducing welfare dependence and assisting families in making the transition from welfare to employment, and such other effects of these amendments as the Secretary may find appropriate. A report is due September 30, 1997.

Conference Agreement

The conference agreement follows the Senate amendment.

5. *Termination of child care transition*

Present Law

No provision.

House Bill

No provision.

Senate Amendment

The Senate amendment provides that authorization for child care transition benefits terminates December 31, 1993.

Conference Agreement

The conference agreement provides that the provision sunsets on September 30, 1998.

*6. Effective date**House Bill*

The child care transition provisions are effective March 1, 1988.

Senate Amendment

The child care transition benefit provisions are effective October 1, 1989 (October 1, 1990 in the State of Kentucky).

Conference Agreement

The child care transition benefit provisions are effective April 1, 1990.

C. NEW CHILD CARE RESOURCES/TRAINING

(Section 202 of the House bill.)

Present Law

No provision.

House Bill

The House bill requires that States regularly assess the availability and reliability of child care services and take necessary or appropriate steps to develop needed child care resources and ensure the coordination of child care provided under the bill with other child care resources in the State. A State may provide that funds to participants for child care under Network and child care transition may be available to supplement early childhood development programs, including Head Start, Chapter I of the Education Consolidation and Improvement Act of 1981 and other programs, so as to extend these programs to provide full-day, full-year services to children in participating families. State funds expended for this purpose would be matched at 50 percent, on an open-ended entitlement basis.

Effective date: October 1, 1987.

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the Senate amendment (i.e., no provision).

D. TRANSPORTATION AND WORK-RELATED EXPENSES

(Section 201 of the House bill and section 202 of the Senate amendment.)

Present Law

Under the WIN program, agencies are authorized to provide necessary transportation and other costs related to participation. Regulations require States to provide an allowance for necessary expenses. Federal matching is 90% (subject to appropriation). Under the WIN demonstration program, transportation and work-related expenses are at State discretion. Federal matching is 90% (subject to appropriation). Under the CWEP program, in cases where the State is unable to provide transportation and other necessary services directly to participants or through a third party, States must provide reimbursement for such costs that are incurred by a participant and directly related to participation. Amounts reimbursed for transportation must be the cost of transportation by the most appropriate means, as determined by the State agency. Federal matching is 50% (open-ended entitlement). Under the work supplementation program, 50% Federal matching is available for transportation costs (open-ended entitlement). Under the job search program, individuals must be furnished transportation and other services necessary to enable them to participate. If services are not provided directly, the agency must pay (in advance or by reimbursement) costs reasonably incurred by a participant in meeting job search requirements. Federal matching is 50% (open-ended entitlement).

House Bill

The House bill requires that States provide reimbursement for transportation and other work-related expenses of Network Participants. Federal matching is an open-ended entitlement, using the Medicaid matching rate. Reimbursement to an individual may not exceed \$100 per month (adjusted annually for inflation). However, if the participant must travel 100 miles or more to the Network assignment, reimbursement could be as much as \$200 per month.

Effective date: Same as Network, effective October 1, 1989, or earlier if the State has an approved plan.

Senate Amendment

The Senate amendment requires that the State provide payment or reimbursement for necessary transportation and other work-related supportive services that the State determines are necessary to enable an individual to participate in JOBS. Federal matching is 50%, subject to the JOBS funding cap. There is no Federal limit on the amount of reimbursement with respect to an individual.

Effective date: Same as JOBS, effective October 1, 1990, or earlier if the State has an approved plan.

Conference Agreement

The conference agreement follows the Senate amendment, modified to cover necessary transportation and other work-related expenses, including other work-related supportive services, that the State determines are necessary to enable an individual to participate in JOBS.

E. TRANSITIONAL MEDICAL ASSISTANCE

(Section 302 of the Senate amendment.)

1. Initial extension period

a. Coverage period

Present Law

There are two rules for continuing Medicaid coverage to families that lost coverage as the result of earnings from employment.

(1) States must provide for a continuation of Medicaid benefits for a period of four months in the case of a family that loses benefits as a result of increased hours of, or increased income from, employment, if the family has received benefits in at least three of the six months immediately preceding the month in which the family becomes ineligible. This provision applies to a family that loses benefits because of earnings that are at a level that would make the family ineligible even if the \$30 plus one-third disregard were used in determining its eligibility for an AFDC benefit. It also applies to a family receiving AFDC on the basis of the unemployment of the principal earner if the family becomes ineligible because the principal earner works more than 100 hours a month.

(2) States must continue Medicaid benefits for nine months for families that lose AFDC eligibility due solely to the fact that they are no longer eligible for certain earned income disregards. AFDC recipients are entitled to the disregard of \$30 plus one-third of additional earnings in determining AFDC benefit amounts. However, the one-third disregard may be applied for only four consecutive months of earnings. Thereafter, the \$30 disregard is applied for a limit of 8 additional months. States may provide Medicaid for an additional six months (for a total of 15 months coverage) to families that would be eligible for AFDC if these disregards were applied.

House Bill

No provision. (Section 4131 of the Omnibus Budget Reconciliation Act of 1987, H.R. 3545, as passed by the House, contained a related provision.)

Senate Amendment

The Senate amendment requires that each State's Medicaid plan provide that each family that received assistance under the State's child support supplement program in at least three of the six months immediately preceding the month of ineligibility because of increased hours of, or increased income from, employment of the caretaker relative, or because of the loss of income disregards,

shall, without reapplication for benefits, remain eligible for Medicaid during the immediately succeeding six-month period. States may not impose premiums during this initial period. No individual may receive more than 12 months of transitional Medicaid assistance in any 36-month period. Transitional Medicaid assistance sunsets on December 31, 1993.

Conference Agreement

The conference agreement follows the Senate amendment with the following modification. Medicaid transitional benefits would be terminated for any individual with respect to whom the State has made a finding that the individual, at any time during the 6 month period preceeding the beginning of Medicaid extension coverage, received cash assistance benefits because of fraud, including intentional submission of false or misleading information in order to obtain benefits. The 12 month in any 36-month period limitation is deleted. The sunset date is September 30, 1998.

The conference agreement also includes a one-year extension of current authority to provide Medicaid benefits for 4 months to families who leave AFDC due to collection of child support.

b. Notification of eligibility

Present Law

No provision.

House Bill

No provision.

Senate Amendment

The Senate amendment requires that the State notify the family of its right to extended Medicaid benefits when it notified the family of the termination of cash assistance. The notice must include a description of the circumstances under which the Medicaid extension may be terminated. A card or other evidence of the family's entitlement to assistance must be included.

Conference Agreement

The conference agreement follows the Senate amendment with minor and technical changes.

c. Conditions for denying assistance

Present Law

No provision.

House Bill

No provision.

Senate Amendment

The Senate amendment requires that a family be denied Medicaid during the six-month period for any month in which the family does not include a child who is (or would if needy be) a dependent child. The State may not discontinue assistance with respect to a child or an SSI recipient until the State has determined that the individual is not eligible under the State's plan for services to persons who are not categorically eligible. Medicaid shall be denied beginning after a month during which the caretaker relative has (1) submitted false or misleading information in order to obtain child support supplements; (2) been subject to sanction in the preceding 12 months for failure to meet the JOBS employment and training participation requirements; (3) without good cause, terminated employment, refused to accept employment, or reduced the hours of employment; or (4) failed to cooperate with the state in establishing and enforcing child support obligations. Before denial, the State must provide the individual with notice of the grounds for the denial. In the case of denial on the basis of (3) above, the notice must include a description of how the family may reestablish eligibility.

Conference Agreement

The conference agreement follows the Senate amendment with a modification altering the ground for termination.

*d. Scope of services**Present Law*

No provision.

House Bill

No provision.

Senate Amendment

The Senate amendment provides that the amount, duration, and scope of services made available with respect to a family must be the same as if the family were still receiving cash assistance. At its option, a State may pay a family's expenses for premiums, deductibles, coinsurance, or similar costs for health insurance provided by an employer to a caretaker relative (and also for insurance provided by an employer to an absent parent who is paying child support for a dependent child if that insurance provides more cost-effective coverage). As a condition of extended coverage, the State may require the caretaker relative to apply for such employer coverage, if the State provides for payment of the premium, deductible, coinsurance, or similar expense that the caretaker relative is otherwise required to pay. Under this option, the family would remain eligible under the regular Medicaid program, but such employer-provided coverage must be treated as a third-party liability (which requires the State to seek reimbursement for assistance provided to the extent of the liability).

Conference Agreement

The conference agreement follows the Senate amendment with the following modification. The State would have the option to pay the costs for health insurance provided by an absent parent who is paying child support for a dependent child without a formal finding that the insurance provides more cost-effective coverage. As a condition of extended coverage, the State may require the caretaker relative to apply for employer coverage, if (1) the State provides for payment of the premium and other enrollment expenses and (2) the caretaker relative is not required to make financial contributions through payroll deductions or otherwise. Payments made for premiums, coinsurance and deductibles would be treated as medical assistance and be eligible for Federal financial participation.

*e. Earnings reporting requirement**Present Law*

No provision.

House Bill

No provision.

Senate Amendment

The Senate amendment requires that the State require each family that receives transitional medical assistance to report the family's gross monthly earnings (and monthly costs of child care incurred by reason of the employment of the caretaker relative), on such date or dates as the State may choose, after the second month of receipt of such assistance.

Conference Agreement

The conference agreement follows the Senate amendment with a modified reporting schedule based on a quarterly rather than monthly system.

*2. Additional extension period—**a. Coverage period**Present Law*

No provision.

House Bill

No provision.

Senate Amendment

The Senate amendment requires that each State offer each family that has received assistance during the entire initial six-month period (described in 1), and has met earnings reporting requirements, the option of extending assistance for the succeeding six-month period, subject to payment of a monthly premium. No in-

dividual may receive more than 12 months of transitional Medicaid assistance in any 36-month period. Transitional Medicaid assistance sunsets on December 31, 1993.

Conference Agreement

The conference agreement follows the Senate amendment with the following modifications. The imposition of a premium would be optional with the State. The 12 in any 36-month period limitation is deleted. The sunset is September 30, 1998.

b. Notification of eligibility

Present Law

No provision.

House Bill

No provision.

Senate Agreement

The Senate amendment provides that during the second and fourth months of the initial six-month assistance period, the State must notify the family of the family's option for extended assistance in the subsequent six-month period. The notice must include a statement of monthly reporting requirements, a statement as to premiums required for such extended assistance, and a description of other out-of-pocket expenses, benefits, reporting and payment procedures, and any preexisting condition limitations, waiting periods, or other coverage limitations imposed under any alternative coverage options offered by the State (described below).

Conference Agreement

The conference agreement follows the Senate amendment with a modified reporting schedule based on a quarterly rather than monthly system.

c. Conditions for denying assistance

Present Law

No provision.

House Bill

No provision.

Senate Amendment

The Senate amendment requires that a family be denied assistance under the same conditions as apply during the initial six-month period. In addition, assistance shall be denied beginning after a month with respect to which the family (1) fails to pay any required monthly premium, or (2) fails to meet the reporting requirement, unless the family established good cause for such failures. If a family fails to meet the reporting requirements, the State

may provide for suspension of assistance, rather than termination, in order to allow the family additional time to meet the reporting requirement. A family shall be ineligible for assistance if the family's average gross monthly earnings (less the costs of child care necessary for the employment of the caretaker relative) during the preceding month exceeds 185 percent of the OMB poverty line.

Conference Agreement

The conference agreement follows the Senate amendment with the same modifications as applied during the initial six month extension period (item 1(c)).

d. Scope of services

Present Law

No provision.

House Bill

No provision.

Senate Amendment

The Senate amendment requires that during the additional extension period, the State must generally offer assistance that is the same amount, duration, and scope as would be available if the family were still receiving cash assistance. However, at State option, a State may elect not to provide any or all of the following items and services: skilled nursing facility services; certain care provided by licensed practitioners; home health care services; private duty nursing services; physical therapy; certain diagnostic, screening, preventive and rehabilitative services; inpatient hospital services, skilled nursing facility services, and intermediate care facility services for individuals age 65 or over in an institution for mental diseases; intermediate care facility services; inpatient psychiatric hospital services for individuals under age 21; hospice care; and respiratory care services.

Conference Agreement

The conference agreement follows the Senate amendment.

e. Alternative coverage

Present Law

No provision.

House Law

No provision.

Senate Amendment

The Senate amendment provides that the State may offer alternative coverage in lieu of the regular Medicaid program under one or another of the following: enrollment in a family option of the

group health plan offered the caretaker relative; enrollment in a family option within the options of the group health plan or plans offered by a State to State employees; enrollment in a basic State health plan offered by the State to individuals otherwise unable to obtain health insurance coverage; or enrollment in a health maintenance organization less than 50 percent of the membership of which consists of individuals who are eligible for Medicaid, excluding those who are eligible under this option. If the State offers to enroll a family under one of the above options, the State must pay any premiums, deductibles, coinsurance, and other costs imposed on the family. At State option, employer-provided coverage may be offered to a family on the same basis as described in 1. above, with such coverage being treated as a third-party liability.

Conference Agreement

The conference agreement follows the Senate amendment with minor and technical changes. The conferees wish to clarify that under this provision, a State may either offer the basic Medicaid coverage, or may offer a choice between the basic Medicaid coverage and one or more of the alternative coverage options. If the State has offered a choice, and if the caretaker relative chooses to enroll in one of the alternative options, the relative and family is not eligible for the basic Medicaid coverage. Furthermore, if the State offers alternative coverage which involves payment of deductibles, coinsurance, and other cost-sharing, payment shall be based on the full amount allowed under the alternative coverage option, without regard to limitations under the basic Medicaid program. Any amounts paid by a State for premiums, deductibles, coinsurance, or related expenses in connection with the offering of alternative coverage will be considered medical assistance and subject to Federal matching payments.

f. Premium

Present Law

No provision.

House Bill

No provision.

Senate Amendment

The Senate amendment requires that the State impose a premium for coverage offered during the additional six-month period. The level of the premium may vary for options offered by the State (described above). The amount of the premium may not exceed 3 percent of the family's gross monthly earnings, and no premium may be imposed if the family's gross monthly earnings (less child care costs) do not exceed 100 percent of the OMB poverty line.

Conference Agreement

The conference agreement follows the Senate amendment with a modification making imposition of the premium optional with the State.

3. Study

Present Law

No provision.

House Bill

No provision.

Senate Amendment

The Senate amendment requires the Secretary of Health and Human Services to conduct a study of the impact of the transitional Medicaid benefits on access to and use of medical services, the relative effectiveness of different types of coverage provided by States, and the effect of requiring families to pay premiums or incur any other expenses with respect to extended benefits. The Secretary shall report the results by January 1, 1993.

Effective date: October 1, 1989; sunsets on December 31, 1993.

Conference Agreement

The conference agreement follows the Senate amendment with modifications. The report would be due April 1, 1993. The study and report shall include an analysis of whether individuals who have exhausted their extension benefits recycle onto welfare for periods of time in order to requalify for these benefits. Congress shall hold a hearing on the findings of the report within 60 calendar days and shall take such action on the findings of the study as Congress deems appropriate.

Effective date: April 1, 1990; sunsets on September 30, 1998.

F. DISREGARD OF INCOME

(Section 301 of the House bill.)

1. Changes in income disregards

Present Law

At application, a State is required to disregard the following: (a) the first \$75 of earned income (to cover work expenses); (b) actual expenses up to \$160 per month per child for day care; and (c) the first \$50 of any monthly child support payments. The State may also disregard the dependent child's JTPA earnings for 6 months and student earnings if these are also disregarded for purposes of the gross income limit.

To calculate benefits of individuals determined to be eligible at application, the State must disregard the following: (a) all of the earned income of a dependent child who is a student and not working full-time; (b) the first \$75 of earned income (to cover work expenses); (c) actual expenses up to \$160 per month per child for day

care; (d) \$30 of earned income for 12 months; (e) 1/3 of the remaining earned income for 4 months; and (f) the first \$50 of any monthly child support payments.

The State may also disregard the dependent child's JTPA earnings for 6 months and student earnings if those earnings are also disregarded for purposes of the gross income limit. (States have the option of disregarding the earnings of a full-time student for up to 6 months in applying the gross income limit.)

House Bill

The House bill would require States to disregard at application the following: (a) the first \$100 of the earned income of any individual whose needs are taken into account in calculating the benefit (to cover work expenses); (b) in States choosing the disregard approach, actual day care expenses up to \$175 per month per child age 2 or more, \$200 per month per child under age 2; and (c) the first \$50 of any monthly child support payments. The State also would be allowed to disregard JTPA earnings of any dependent child or minor parent in such amounts and for such periods of time (not to exceed 6 months) as the Secretary provides.

To calculate benefits, the State would be required to disregard the following items in the following order: (a) all of the earned income of a dependent child who is a student and not working full time; (b) the first \$100 of the earned income of any individual whose needs are taken into account in calculating the benefit; (c) 25 percent of the remaining earnings of any individual whose needs are taken into account; (d) the first \$50 of any monthly child support payments; and (e) actual day care expenses up to \$200 per child per month for children under 2 and \$175 per child per month for children 2 and over.

Senate Amendment

The Senate amendment retains present law.

Conference Agreement

The conference agreement follows the Senate amendment modified to increase the limit on the disregard of child care costs to \$175 per month (\$200 per month for a child under age 2); to provide that the child care disregard will be calculated after other disregard provisions have been applied; and to increase the standard disregard from \$75 to \$90.

2. Optional State disregard increases

Present law

No provision.

House Bill

The House bill would permit States to increase the \$100 plus 25 percent earned income disregard and the \$50 child support disregard so long as the family's gross income is under the gross income limit (185 percent of the State standard of need).

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the Senate amendment; i.e., no provision.

*3. Adjustment of standard deduction**Present Law*

No provision.

House Bill

The House bill requires States to adjust the standard deduction (\$100 or a higher amount under item 2 above) annually for changes in the cost of living.

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the Senate amendment; i.e., no provision.

*4. Treatment of the earned income tax credit**Present Law*

For AFDC purposes, the earned income tax credit (EITC) is treated as earned income when it is actually received, either as an advance payment or as a refund after the tax year has ended.

House Bill

The House bill requires States to disregard any advance payments or refund of the EITC when calculating AFDC eligibility or benefits.

Senate Amendment

The Senate amendment retains present law.

Conference Agreement

The conference agreement follows the House bill.

*5. Effective date**Present Law*

No provision.

House Bill

The House bill provides an effective date for the income disregard amendments of October 1, 1988, unless the State legislature is

not in a regular session on the date of enactment of this bill and State legislation is required to provide the funds needed to carry out the amendments made by the Title (or otherwise to implement the amendments). In such case, the effective date for the State would be the first day of the next Federal fiscal year that begins after the State legislature has convened for a regular session during which a budget is (or is scheduled to be) adopted by the State.

Senate Amendment

No provision.

Conference Agreement

The disregarded provisions are effective October 1, 1989.

TITLE IV—RELATED AFDC AMENDMENTS

A. NAME OF PROGRAM

(Section 2 of the House bill and section 3 of the Senate amendment.)

Present Law

Under present law, the name of the program is Aid to Families with Dependent Children (AFDC).

House Bill

The House bill changes the name to Family Support Program (FSP).

Senate Amendment

The Senate amendment changes the name to Child Support Supplement Program (CSSP).

Conference Agreement

The conference agreement retains the name of the current program: Aid to Families with Dependent Children.

B. BENEFITS FOR UNEMPLOYED PARENTS (AFDC-UP)

(Section 601 of the House bill and section 402 of the Senate amendment.)

Present Law

Under present law, States have the option of providing assistance to 2-parent families eligible by reason of the unemployment of the principal earner. Twenty-seven States, the District of Columbia, and Guam currently have a UP program.

Regulations define unemployment as working fewer than 100 hours for a particular month, unless hours are of a temporary nature for intermittent work and the individual met the 100-hour rule in the two preceding months and is expected to meet it the following month.

Present law requires attachment to the labor force as a condition of eligibility. The principal earner must: (1) have 6 or more quarters of work in any 13-calendar-quarter period ending within 1 year prior to application for assistance; or (2) have received or been eligible to receive unemployment compensation within 1 year prior to application for assistance. (A quarter of work is a quarter in which an individual earns at least \$50 or participates in CWEP or WIN.)

House Bill

The House bill requires all States to provide assistance to 2-parent families eligible by reason of the unemployment of the principal earner.

It authorizes 5 State and local demonstration projects to test the effect of eliminating the 100-hour (or any other durational standard) rule for recipients of cash aid (basing continued eligibility on size of earnings rather than hours of work). Projects would have to require that both parents be required to accept any reasonable full- or part-time job.

The House bill allows a State to substitute attendance in elementary or secondary school, vocational or technical training, or participation in JTPA, for not more than 4 of the 6 required quarters of work. Attendance in vocational or technical training cannot substitute for more than 4 of the 6 required quarters of work over an individual's lifetime. (A quarter of work is a quarter in which an individual earns at least \$50 or participates in CWEP.)

The House bill requires a GAO study of the AFDC-UP program within 6 months after enactment of this act, with recommendations for simplifying administration and reducing errors.

Effective Date: January 1, 1990. The demonstration project would be effective October 12, 1987.

Senate Amendment

The Senate amendment requires all States to have an unemployed parent program. Under this program, States could: (1) require participation by any parent in one or more education, employment, and training activities approved under the JOBS program (not to exceed a combined total of 40 hours per person per week); (2) provide that the cash payments would be made to participants after they had performed the required JOBS program activities; (3) provide for the participation of both spouses in JOBS program activities; and (4) limit the duration of cash assistance eligibility. (However, a State could not deny benefits to an otherwise eligible family unless the family had received benefits in at least six out of the preceding 12 months.)

The AFDC-UP provision does not override other provisions in the bill that limit the number of hours a family may be required to participate in CWEP, require the provision of child care, and limit required participation of parents caring for a child under age 6 to no more than 24 hours a week.

Under the Senate amendment, if a State chooses to provide a limit on the duration of cash assistance, medical assistance would nevertheless have to be provided for children in the family who are

under age 18 and (as in present law) for pregnant women in the family.

If a State elects to establish durational limits on cash assistance, it must provide assurances to the Secretary of Health and Human Services that it will have a program of active assistance to help the parents in those families prepare for and obtain employment.

The Senate amendment authorizes 10 State or local demonstrations to test a definition of unemployment that is easier to meet than the present 100-hour rule (by reason of establishing a greater number of hours as the standard) and requires evaluation using random assignment. The demonstration authority would expire September 30, 1995. A report to Congress would be required.

The Senate amendment, like the House bill, allows a State to substitute attendance in elementary or secondary school, vocational or technical training, or participation in JTPA, for not more than 4 of the 6 required quarters of work. Attendance in vocational or technical training cannot substitute for more than 4 of the 6 required quarters of work over an individual's lifetime. (A quarter of work is a quarter in which an individual earns at least \$50 or participates in CWEP). The Senate amendment, in addition, requires that participation in the JOBS program be counted in meeting the quarter of work requirement.

The Senate amendment requires the Secretary to evaluate AFDC-UP programs (both time-limited and conventional) and report to Congress within 4 years after the effective date.

Effective date: October 1, 1990.

Conference Agreement

The conference agreement follows the Senate amendment with modifications. It delays the effective date of the mandatory UP program in American Samoa, Guam, Puerto Rico, and the Virgin Islands until October 1, 1992. It requires the Secretary to evaluate UP programs (both time-limited and conventional), including the effects of the work requirement, and report to the Congress. A final report would be due by July 1, 1997. It requires States having a UP program in effect on September 26, 1988 to continue operating such programs without a time limitation on benefits through September 30, 1998. It requires States electing time-limited benefits to provide medicaid to all members of the family without time limitation. The conference agreement sunsets the requirement that all States have a UP program on September 30, 1998 and returns to present law. It further sunsets the UP work requirement on September 30, 1998.

The conference agreement authorizes 8 State or local demonstrations to test a definition of unemployment that is easier to meet than the present 100-hour rule, including (if any State or locality so requests) at least one demonstration that tests the elimination of the 100 hour rule or any other durational standard.

The conference agreement follows the Senate amendment with respect to the quarter of work requirement.

C. BENEFITS FOR MINOR PARENTS

(Section 602 of the House bill and section 401 of the Senate amendment.)

Present Law

Under present law, a minor parent who has a child, and who leaves home, may establish her own household and claim AFDC as a separate family unit. In this situation, the income of the parents of the minor parent is not automatically counted as available to the minor parent, because they are not sharing the household. If a minor parent lives with her parents, their income is counted in determining the benefit of the minor parent.

House Bill

The House bill provides that a minor under age 18 who is unmarried and who has a child may receive assistance only if she resides with a parent, legal guardian, or other adult relative, or in a foster home, maternity home, or other supportive living arrangement.

The State agency may determine it is impossible or inappropriate to apply this requirement if: (1) the individual has no living parent or legal guardian whose whereabouts are known; (2) the parent or legal guardian refuses to let the individual and child live in the home; (3) the health or safety of the individual or child would be jeopardized or living conditions are overcrowded; or (4) the individual has lived apart from the parent or guardian for at least one year prior to the birth of the child or applying for benefits.

The State must assign a case manager to a family headed by a minor parent. The case manager must be responsible for assuring that the family receives and uses all aid and services available and for supervising their use, and may require that assistance payments be paid in the form of protective payments.

If the parent of the minor parent is also eligible for cash assistance, the State must treat the minor parent and child as a separate family unit for purposes of determining benefits. Also repeals present law provision requiring the counting of income of the parents of a minor parent.

Effective date: October 1, 1987.

Senate Amendment

The Senate amendment provides that a minor under age 18 who has never married and who has a child (or is pregnant) may receive assistance only if she resides with a parent, legal guardian, or other adult relative, or in a foster home, maternity home, or other adult-supervised supportive living arrangement.

This requirement does not apply if: (1) the individual has no parent or legal guardian who is living and whose whereabouts are known; (2) the parent or legal guardian does not allow the individual to live in the home; (3) the State agency determines that the physical or emotional health or safety of the individual or her child would be jeopardized; (4) the individual lived apart from her parent or legal guardian for a period of at least one year prior to the birth of the child or applying for benefits; or (5) the State agency otherwise determines (under Federal regulations) that there is good cause for waiving the arrangement.

The Senate amendment requires that assistance, where possible, be paid to the parent or legal guardian.

Effective date: First quarter beginning one year after enactment.

Conference Agreement

The conference agreement follows the Senate amendment but makes the requirement optional with the States.

D. NEED AND PAYMENT STANDARDS

(Sections 701 and 702 of the House bill and section 403 of the Senate amendment.)

Present Law

Each State establishes its own standard of need for a family of a given size to cover the family's basic needs. States also establish a payment standard, which may be lower than the standard of need. It is this amount that usually represents the maximum benefit that is payable to a family of a given size.

House Bill

Each State is required to reevaluate its need and payment standards every year, giving particular attention to the adequacy of the amount assumed necessary for shelter. The results must be reported to the Secretary, the Congress, and the public.

Effective date: Upon enactment.

Senate Amendment

Each State is required to reevaluate its need and payment standards at least every 5 years and report the results to the Secretary.

Effective date: Upon enactment.

Conference Agreement

The conference agreement follows the House bill, modified to require reevaluation of State need and payment standards every 3 years.

E. INCREASE IN FEDERAL MATCHING FOR CASH BENEFITS

(Section 702 of the House bill.)

Present Law

Federal matching for benefits varies from State to State (50-80%) and is inversely related to per capita income.

House Bill

The House bill increases the State's Federal matching share by 25% (but not to more than 90 percent) for any benefit increases made on or after October 1, 1988 and before October 1, 1991. The increased match applies only to that portion of the grant which results from the increase. The increased match continues in effect after October 1, 1991 for increases in benefits which become effec-

tive before that date. The bill prohibits States from lowering benefits below the level in effect on June 10, 1987, or below a level scheduled to go into effect after that date and on or before September 30, 1988 under a State law enacted on or before June 10, 1987.

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the Senate amendment (i.e., no provision).

F. STUDY OF ALTERNATIVE MINIMUM BENEFIT PROPOSALS

(Section 703 of the House bill and section 404 of the Senate amendment.)

Present Law

No provision.

House Bill

The House bill requires a study by the National Academy of Sciences of alternative minimum benefit proposals for low-income families with children, giving particular attention to what an appropriate national minimum benefit might be and how it should be calculated.

The study would give consideration to alternative minimum benefit proposals, including those that would link benefit levels to a family living standard, national median income, State median income, and the poverty level. The study would also take into account the probable impact of a national minimum benefit on individuals and on State and local governments. A report would be due 24 months after the date of enactment.

Effective date: Upon enactment.

Senate Amendment

The Senate amendment requires CBO to conduct a study on the implementation of sec. 101 of S. 862, the Partnership Act of 1987, relating to the requirement of a minimum payment standard. The study must assess the extent to which (1) the goal of budget neutrality may be preserved by repealing certain specified programs over a period of time in conjunction with corresponding increases (up to 90%) in Federal matching rates for cash welfare and Medicaid benefits; and (2) the effects on local governments of repealing Federal programs could be mitigated by providing, over time, general revenue supplements to those localities with the lowest levels of fiscal capacity and pass throughs to units of local government. The report is due 12 months after enactment.

Effective date: Upon enactment.

Conference Agreement

The conference agreement follows the House bill and the Senate amendment, but specifies that the CBO study is subject to appropriation.

TITLE V.—DEMONSTRATION PROJECTS

A. GRANTS TO PROVIDE PERMANENT HOUSING FOR FAMILIES

(Section 805 of the House bill and section 501 of the Senate amendment.)

Present Law

No provision.

House Bill

The House bill authorizes 3 State demonstration projects testing whether assistance payments would be reduced through the construction and renovation of permanent housing for families receiving emergency assistance. It would authorize \$15 million per year for 5 years, beginning with fiscal year 1988.

The Federal cost per unit would be limited to the cost of housing for a family in temporary shelter for one year. The State matching rate would be 10 percentage points above the current State AFDC matching rate. The Federal cost for rehabilitation or construction for temporary shelter for the families involved, and for assistance to such families over 10 years, would be required to be less than the cost of temporary shelter over the same period.

Senate Amendment

The Senate amendment is similar to the House bill. It would authorize 2 State demonstration projects for 5 years, and would authorize \$8 million per year, beginning with fiscal year 1989.

Conference Agreement

The conference agreement has no provision.

B. FAMILY SUPPORT DEMONSTRATIONS

1. Education and training programs for children

Present Law

No provision.

House Bill

The House bill authorizes demonstrations lasting one to five years designed to test financial incentives and interdisciplinary approaches to reducing school dropouts, encouraging skill development, and avoiding welfare dependence. Any State could conduct one or more such demonstrations. (See item 6 for authorization.)

Effective date: Upon enactment.

Senate Amendment

The Senate amendment is similar to the House bill. It would authorize \$500,000 in each year for fiscal years 1989 through 1993.

Conference Agreement

The conference agreement follows the House bill.

*2. Test early childhood development programs**Present Law*

No provision.

House Bill

The House bill authorizes up to 10 States to conduct demonstration projects for up to 3 years using programs to enhance cognitive skills, linguistic ability, communications skills, and ability to read, write, and speak English effectively of children under 5 years old. (See item 6 for authorization)

Effective date: Upon enactment.

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the House bill.

*3. Supported-work demonstrations**Present Law*

No provision.

House Bill

The House bill would authorize demonstrations to test the effectiveness of private organizations to operate supported-work programs to place participants in full-time jobs in the private sector, with the Federal subsidy not to exceed 9 months using performance-based contracts conditioned upon retention in such private employment after the Federal subsidy ends. (See item 6 for authorization.)

Effective date: Upon enactment.

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the Senate amendment (i.e., no provision). The conferees note that the basic JOBS program includes authority for work supplementation and supportive services, enabling States to implement the basic supported-work model.

4. Community-based family support services demonstrations

Present Law

No provision.

House Bill

The House bill authorizes demonstrations to test methods of providing services to ensure long-term family self-sufficiency through community-based comprehensive family support services involving a partnership between the State agency and community-based organizations with demonstrated effectiveness in providing services. (See item 6 for authorization.)

Effective date: Upon enactment.

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the House bill.

5. Test of using nonprofit organizations to create employment opportunities

Present Law

No provision.

House Bill

The House bill provides financial assistance to nonprofit community development corporations to demonstrate their effectiveness at creating employment opportunities for AFDC/FSP recipients and other low-income individuals. (See item 6 for authorization.)

Effective date: Upon enactment.

Senate Amendment

The Senate amendment authorizes at least 5 but no more than 10 three-year demonstrations of the effectiveness of nonprofit organizations, including community development corporations, at creating employment opportunities. Nonprofit organizations would provide technical and financial assistance to private employers to help them create employment opportunities for low-income persons. A low-income person would be someone receiving AFDC or an individual whose family income does not exceed the official poverty level. The Secretary is required to evaluate the demonstrations and report to Congress by October 1, 1991. The amendments authorizes \$6.5 million per year for fiscal years 1989 through 1991.

Conference Agreement

The conference agreement follows the Senate amendment with an authorization of \$6.5 million per year for fiscal years' 1990 through 1992.

6. Funding of demonstration projects

Present Law

No provisions.

House Bill

The House bill authorizes \$50 million for each fiscal year for carrying out the projects described in items 1 through 5.

Effective date: Upon enactment.

Senate Amendment

Funding is as shown in description of each item.

Conference Agreement

The conference agreement authorizes \$6 million per year, in the aggregate for items 1, 2, and 4 for 3 fiscal years.

C. AFDC MOTHERS AS PAID DAY CARE PROVIDERS

Present Law

No provision.

House Bill

The House bill authorizes up to 5 States to conduct demonstrations designed to test whether employing AFDC/FSP mothers as providers of day care for other children receiving assistance would effectively facilitate the provision of Network services.

Effective date: October 1, 1987.

Senate Amendment

The State amendment is similar to the House bill. It authorizes \$1 million each year for fiscal years 1989 through 1993.

Conference Agreement

The conference agreement follows the House bill, and authorizes \$1 million each year for fiscal years 1990 through 1992.

D. TEST OF USING THE FOOD STAMP AUTOMOBILE RULES

Present Law

AFDC regulations limit the equity value of a vehicle that can be excluded from the countable resource limit to at most \$1,500. The food stamp limit is \$4,500 fair market value.

House Bill

The House bill authorizes up to 5 States to conduct demonstrations for up to 5 years to test the use in the AFDC/FSP program of the food stamp automobile limit.

Effective date: October 1, 1987.

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the Senate amendment (i.e., no provision). The conferees direct the Secretary to review regulations establishing limits on the value of a vehicle and to revise them if he determines revision would be appropriate.

E. PROJECTS TO EXPAND CHILD CARE*Present Law*

No provision.

House Bill

No provision.

Senate Amendment

The State amendment authorizes no less than 5 but no more than 10 States to conduct demonstrations aimed at increasing child care opportunities, especially in rural areas. It would authorize \$5 million per year for fiscal years 1989 through 1991.

Conference Agreement

The conference agreement follows the House bill (i.e., no provision).

F. PROJECTS TO PROVIDE COUNSELING AND SERVICES TO HIGH-RISK TEENAGERS*Present law*

No provision.

House Bill

No provision.

Senate Amendment

The State amendment authorizes teen care projects in 4 states providing counseling and services aimed at reducing rates of pregnancy, suicide, substance abuse, and school dropout among teenagers. It authorizes \$2 million per year for fiscal years 1989 through 1991.

Conference Agreement

The conference agreement follows the Senate amendment with an authorization level of \$1.5 million for each of fiscal years' 1990 through 1992.

G. EXTENSION OF MINNESOTA MEDICAID DEMONSTRATION PROJECT

Present Law

Minnesota operates a Medicaid prepaid health care demonstration project under sec. 1115 of the Social Security Act. The project is scheduled to end on June 30, 1988.

House Bill

No provision.

Senate Amendment

The Senate amendment requires the Secretary to extend the waiver for 18 months (to December 31, 1989).

Conference Agreement

The conference agreement follows the Senate amendment.

H. USE OF "INTELLIGENT CREDIT CARDS" FOR PUBLIC ASSISTANCE AND MEDICAID

Present Law

No provision.

House Bill

No provision.

Senate Amendment

The Senate amendment allows States, under section 1115 of the Social Security Act, to establish demonstration projects of one to three years duration on the use of "intelligent credit cards" to obtain benefits or services under Titles IV and XIX.

Effective date: October 1, 1988.

Conference Agreement

The conference agreement follows the House bill; i.e., no provision.

I. NEW YORK AND WASHINGTON DEMONSTRATION PROJECTS

Present Law

P.L. 100-203 authorized demonstration projects in the States of New York and Washington.

House Bill

The House bill includes authority for demonstration projects in the States of New York and Washington.

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the Senate amendment (i.e., no provision). The House bill provisions have already been enacted.

TITLE VI.—MISCELLANEOUS PROVISIONS**A. COORDINATION OF CASH AND FOOD STAMP PROGRAMS**

(Section 801 of the House bill.)

Present Law

No provision.

House Bill

The House bill establishes a Commission on the Coordination of Family Support and Food Stamp policies to study and make recommendations for developing common policies and definitions for use under both programs in order to eliminate inconsistency or conflict. The study must be submitted to the President and Congress one year after the enactment of this Act.

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the Senate amendment (i.e., no provision).

B. UNIFORM REPORTING REQUIREMENTS

(Section 802 of House bill.)

Present Law

No provision.

House Bill

The House bill requires the Secretary to establish uniform reporting requirements for States to ensure effective implementation of the Medicaid and child care transitions, and the minor parent policy.

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the House bill.

C. STATE REPORTS ON SOCIAL SERVICE FUNDS

(Section 803 of House bill.)

Present Law

Under present law, States are required, at least every 2 years, to report on activities funded through the Title XX social services block grant program. These reports may be in such form and contain such information as each State finds necessary to provide accurate information on the purposes for which the funds were expended.

House Bill

The House bill requires that reports be made annually covering the most recent fiscal year. Reports must include: number of children and adults who received each type of service; amount spent for each type of service per adult and per child recipient; criteria applied in determining eligibility for services; and methods by which services were provided, including which types of services were provided by public and private agencies. The Secretary of HHS would be directed to establish uniform definitions of services.

Effective date: October 1, 1987.

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the House bill modified to assure that reporting requirements are not unduly burdensome on the States.

D. STUDY OF HOUSING PROBLEMS

(Section 808 of House bill.)

Present Law

No provision.

House Bill

The House bill requires an interagency (HHS and HUD) study and report to Congress on housing problems experienced by AFDC recipients, especially transient families. The report would include the amount of assistance payments spent on housing, number and demographic characteristics of transient recipients, number of evictions, examination of substandard properties occupied by recipients, examples of cooperative welfare/housing programs to upgrade housing stock, and recommendations for ways to provide tenant unit management training. The study would be due six months after the date of enactment.

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the Senate amendment (i.e., no provision).

E. SANCTION FOR FAILURE TO COMPLETE TREATMENT FOR DRUG OR ALCOHOL ABUSE

(Section 809 of House bill.)

Present Law

No provision.

House Bill

The House bill provides that AFDC/FSP benefits may not be paid to an individual who had been determined to be a drug addict or alcoholic and has enrolled in a treatment program if and for so long as the treatment facility notifies the State agency that the individual has ceased to participate satisfactorily in the program.

Effective date: On enactment.

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the Senate amendment (i.e., no provision).

F. PROVISIONS AFFECTING PUERTO RICO, THE VIRGIN ISLANDS, GUAM, AND AMERICAN SAMOA

(Sections 810 and 811 of the House bill and sections 601 and 602 of the Senate amendment.)

Present Law

Seventy-five percent Federal matching is available for payments under AFDC, foster care and adoption assistance programs, and for payments under programs for needy, aged, blind and disabled individuals, up to the following dollar limitations (per year):

Puerto Rico	\$72,000,000
Virgin Islands	2,400,000
Guam	3,300,000

All outlying jurisdictions are eligible to participate in the AFDC, foster care, adoption assistance, child support and WIN programs, except American Samoa.

House Bill

The House bill increases the annual amounts payable for fiscal year 1988 and each fiscal year thereafter as follows:

Puerto Rico	\$81,270,000
Virgin Islands	2,709,000
Guam	3,725,000

It extends the AFDC and Network programs to American Samoa, and provides up to \$1 million per year for the AFDC program in American Samoa.

Effective date: October 1, 1988.

Senate Amendment

The Senate amendment increases the amounts payable as follows:

Puerto Rico	\$82,000,000
Virgin Islands.....	2,800,000
Guam.....	3,800,000

It authorizes American Samoa to participate in all programs under title IV of the Social Security Act, and limits funding for AFDC, foster care, and adoption assistance to \$1 million per year.

Effective date: October 1, 1988.

Conference Agreement

The conference agreement follows the Senate amendment.

G. AFDC QUALITY CONTROL

(Section 1005 of the Senate amendment.)

Present Law

AFDC has an ongoing quality program that is intended to reduce erroneous benefit payments below certain target levels. States whose error rates fall above target percentages are subject to fiscal sanctions. AFDC fiscal sanctions have been suspended through June 30, 1988.

House Bill

No provision.

Senate Amendment

The Senate amendment continues the suspension of AFDC quality control sanctions through June 30, 1989.

Conference Agreement

During the 12-month period beginning on July 1, 1988, the conference agreement would prohibit the Secretary from imposing any reductions in payments to States pursuant to section 403(i) of the Social Security Act (or prior regulations), or pursuant to any comparable provision of law relating to the programs under Title IV-A of such Act in Puerto Rico, Guam, the Virgin Islands, American Samoa, or the Northern Mariana Islands. The moratorium would extend until July 1, 1989.

During the moratorium period, the Secretary and the States would be required to continue to operate the quality control systems in effect under Title IV-A of the Social Security Act, and to calculate the error rates, including the process of requesting and reviewing waivers.

Current law would be clarified to provide that the moratorium does not apply to the Departmental Grant Appeals Board and its review of the fiscal year 1981 disallowances or any subsequent disallowances. The Grant Appeals Board would be expected to consider appeals during the moratorium period. Collection of disallowances owed as a result of Grant Appeals Board decisions could not occur during the moratorium period.

The requirement, in current law, that the Secretary publish regulations on restructuring the quality control systems to reflect the studies is deleted.

The provision would take effect on July 1, 1988.

H. REORGANIZATION AND REDESIGNATION OF TITLE IV

(Sections 1002 and 1003 of the Senate amendment.)

Present Law

Title IV of the Social Security Act is made up of 5 parts as follows:

- Part A.—Aid to Families with Dependent Children
- Part B.—Child Welfare Services
- Part C.—Work Incentive Program
- Part D.—Child Support and Establishment of Paternity
- Part E.—Foster Care and Adoption Assistance

House Bill

No provision.

Senate Amendment

The Senate amendment reorganizes and redesignates Title IV as follows:

- Part A.—Child Support Enforcement
- Part B.—Job Opportunities and Basic Skills Training Program
- Part C.—Child Support Supplement Program
- Part D.—Child Welfare Services
- Part E.—Foster Care and Adoption Assistance

Conference Agreement

The conference agreement follows the House bill.

I. PREELIGIBILITY FRAUD DETECTION

(Section 703 of the Senate amendment.)

Present Law

There is no specific requirement that States conduct activities aimed at detecting fraudulent applications for assistance prior to the establishment of eligibility. Some AFDC fraud control activities are eligible for 50% Federal matching; others for 75%.

House Bill

No provision.

Senate Amendment

The Senate amendment requires the Secretary of HHS to issue regulations within 6 months after enactment requiring States to implement appropriate procedures to assist in the early detection of fraudulent applications for assistance.

Effective date: October 1, 1989.

Conference Agreement

The conference agreement follows the Senate amendment. The conferees instruct the Secretary to develop regulations that allow a range of fraud detection activities that can be tailored to the needs and circumstances of the State.

**J. TECHNICAL CORRECTIONS TO MEDICARE CATASTROPHIC COVERAGE ACT
OF 1988**

(Section 704 of the Senate amendment.)

Present Law

The conference report on the Medicare Catastrophic Coverage Act of 1988 has been passed by the Congress and is awaiting Presidential action.

House Bill

No provision.

Senate Amendment

The Senate amendment makes technical corrections as follows:

- (1) It clarifies average actuarial value of the new Medicare benefits which may be used by employers under the maintenance of effort provision.
- (2) It restores a section that was inadvertently omitted from the conference report.
- (3) It allows continuation of pass-through for costs of certified registered nurse anesthetists at rural low-volume hospitals.

Conference Agreement

J. TECHNICAL CORRECTIONS TO MEDICARE CATASTROPHIC COVERAGE ACT
(Section 704 of the Senate amendment.)

* * * * *

Conference Agreement

The conference agreement follows the Senate amendment with minor and technical changes. In particular the conferees note:

- (1) The provision regarding the calculation by employers of the value of benefits under the maintenance of effort provision is clarified. An employer may elect to compute the amount of the refunds or additional benefits to be provided either: a. As being equal to the national average actuarial values published by the Secretary; or b. On the basis of the actuarial value (net

of employee premiums) with respect to that employer computed using guidelines published by the Secretary.

It is the conferees understanding that in the case of an employer who is a primary insurer for a Medicare beneficiary the maintenance of effort provision does not apply for that employer for such beneficiary because Medicare is secondary payer for such beneficiary.

(2) The provision regarding adjustment of payments to hospitals is clarified. In particular the provision regarding payment to hospitals which are exempt from the Prospective Payment System (PPS) is modified to make clear that PPS-exempt hospital payments are to be adjusted for portions of cost reporting periods beginning January 1, 1989 to take into account increases in Medicare covered days of care in the base year regardless of whether an individual hospital's allowable operating costs are above or below the target amount specified in section 1886(b)(1).

The conferees expect that the Secretary, in granting exemptions under 1886(b)(4)(A) will take into account increases in length of stay in PPS-exempt hospitals which have occurred since the base year. In particular the Secretary should examine increases in length of stay related to ventilator-dependent patients.

K. EXCLUSION OF CHILD SUPPORT PAYMENTS RECEIVED

Present Law

A State may choose to exclude, as income for food stamp purposes, child support payments that are disregarded under Title IV-A of the Social Security Act (i.e., the first \$50 a month). If a State chooses to exclude these payments, it must pay the food stamp benefit cost of doing so. (Secs. 5(d)(13) and 5(m).)

House Bill

An income exclusion would be *required* for those child support payments that are disregarded for recipients under Title IV-A of the Social Security Act. The food stamp benefit cost of doing so would be a Federal cost. (Sec. 1004.)

Senate Amendment

No provision.

Conference Agreement

VII. FUNDING PROVISIONS

A. TEMPORARY EXTENSION OF PROGRAM FOR IRS COLLECTION OF NONTAX DEBTS OWED TO FEDERAL AGENCIES

(Section 901 of the House bill and section 801 of the Senate amendment.)

Present Law

Federal agencies were authorized to notify the IRS that a person owed a past due, legally enforceable debt to the agency. The IRS then was required to reduce the amount of any Federal tax refund due such person by the amount of the debt and pay that amount to the agency. The refund offset program applied with respect to debts of individuals and corporations. This program expired after June 30, 1988.

Before a refund could have been offset under this program, the agency owed the debt was required to certify to the IRS that the debtor had been notified about the proposed offset and had been given at least 60 days to present evidence that all or part of the debt was not past due or not legally enforceable. The agency also was required to enter into an agreement with the IRS prior to transmitting proposed offsets.

House Bill

The House bill extends the tax refund offset program through December 31, 1990.

Senate Amendment

The Senate amendment extends the tax refund offset program through December 31, 1993.

Conference Agreement

The conference agreement extends the tax refund offset program through January 10, 1994, effective on the date of enactment. This date enables the IRS to process potential refund offsets with respect to refunds on returns that are processed through December 31, 1993. The conference agreement also includes a technical correction coordinating the rules for disclosure of tax information to agencies seeking a tax refund offset attributable to a past-due Federal debt with the parallel rules applicable to a refund offset attributable to past-due child support.

Prior to the enactment of this provision, some Federal agencies may have taken actions to notify a debtor of a proposed offset and to certify to the Treasury Department that a debt is owed, as required by 31 U.S. Code section 3720A. It is intended that these agency actions are not to be affected by the fact that they were taken before the Congress enacted this extension of the Federal debt collection program.

The conference agreement retains the present-law requirement that the General Accounting Office, in consultation with the Secretary of the Treasury, is to report to the Congress on the effects of this program on voluntary tax compliance. This report is due by April 1, 1989. The report is to provide and analyze data on the compliance effects of the program, such as whether taxpayers whose refunds are offset continue to file Federal income tax returns and whether taxpayers whose refunds are offset adjust their withholding so as to create additional collection difficulties for the IRS.

B. MODIFICATIONS OF DEPENDENT CARE CREDIT

(Section 903 of the House Bill.)

Present Law

Under present law, a nonrefundable income tax credit is allowed for up to 30 percent of a limited dollar amount of employment-related child or dependent care expenses (Code sec. 21). Eligible employment expenses are limited to \$2,400 in the case of one qualifying individual (\$4,800 in the case of two or more qualifying individuals). The 30-percent credit rate is reduced by one percentage point for each \$2,000 (or fraction thereof) of the taxpayer's adjusted gross income (AGI) between \$10,000 and \$28,000. The credit rate is 20 percent for taxpayers with AGI in excess of \$28,000.

The term "qualifying individual" means (1) a dependent of the taxpayer who is under age 15 and with respect to whom the taxpayer is entitled to claim a dependent exemption, (2) a dependent of the taxpayer who is physically or mentally incapable of caring for himself, or (3) a spouse of the taxpayer if the spouse is physically or mentally incapable of caring for himself.

Under present law, a taxpayer may exclude from income up to \$5,000 per year for amounts provided under an employer-provided dependent care assistance program (sec. 129).

House Bill

The rate of the dependent care credit is reduced by one percentage point for each \$1,500 (or fraction thereof) by which the taxpayer's AGI exceeds \$65,000. Thus, taxpayers with AGI in excess of \$93,500 will not be entitled to claim the dependent care credit.

The provision is effective for taxable years beginning after December 31, 1987.

Senate Amendment

No provision.

*Conference Agreement**Phaseout of credit*

The conference agreement follows the Senate amendment (i.e., does not include the phaseout provision from the House bill).

Definition of qualifying individual

Under the conference agreement, a child of the taxpayer may be treated as a qualified individual for whom the dependent care credit or dependent care assistance exclusion may be claimed only if the child is under the age of 13 (rather than 15). This provision is effective for taxable years beginning after December 31, 1988.

Limitation on expenses eligible for credit

Under the conference agreement, the dollar amount of expenses eligible for the dependent care credit of any taxpayer is reduced, dollar for dollar, by the amount of expenses excludable from that taxpayer's income under the dependent care exclusion (sec. 129).

For example, assume that a taxpayer with one child incurs \$6,000 of child care expenses during a taxable year, \$3,000 of which is excluded from the taxpayer's income because the expenses are reimbursed under an employer-provided dependent care assistance program. Under the conference agreement, the amount of expenses otherwise eligible for the dependent care credit (\$2,400, in the case of one qualifying individual) is reduced, dollar for dollar, by the amount excluded under the dependent care assistance program. Because the amount excluded under the dependent care assistance program (\$3,000) exceeds the expenses eligible for the dependent care credit (\$2,400), no dependent care credit could be claimed for the taxable year. On the other hand, if the amount of excludable dependent care reimbursed by the employer was \$1,000, then \$1,400 of expenses (\$2,400 minus \$1,000) would be eligible for the dependent care credit.

This provision is effective for taxable years beginning after December 31, 1988.

Reporting of provider's TIN

The conference agreement provides that the dependent care credit (sec. 21) and the exclusion for employer-provided dependent care assistance benefits (sec. 129) may not be claimed unless the taxpayer reports on his or her tax return the correct name, address, and taxpayer identification number (TIN) of the dependent care provider. The conferees anticipate that the IRS will require taxpayers to provide this information on Form 2441 (the current form on which the credit for child and dependent care expenses is computed).

If the dependent care provider is exempt from Federal income taxation and is described in section 501(c)(3) of the Code, the taxpayer is not required to report the TIN of the provider on his or her tax return. However, the taxpayer must report the correct name and address of the exempt organization providing the dependent care and must write "tax-exempt" in the space in which the TIN of the dependent care provider generally would be reported.

If the taxpayer fails to report the correct name, address, and TIN of the dependent care provider and cannot establish to the IRS upon its request that he or she exercised due diligence in attempting to provide that information, neither the section 21 credit nor the section 129 exclusion is allowed to the taxpayer. The taxpayer could show that he or she exercised due diligence by, for example, obtaining and retaining a copy of the social security card or of the driver's license (in a State where the driver's license includes the social security number) of the dependent care provider. Alternatively, the taxpayer could show that he or she exercised due diligence by obtaining and retaining the required information from a recently printed letterhead or printed invoice from the dependent care provider.

The IRS could provide a form that dependent care providers could utilize to furnish the required information to taxpayers. (The IRS must require that any such form is to be signed under penalties of perjury.) For example, existing Form W-9 (used currently to provide a TIN for backup withholding purposes) could be modified

slightly so that it could be used for this purpose. The taxpayer could show that he or she exercised due diligence by obtaining and retaining an IRS-authorized form that has been properly completed by the provider (including signature under penalties of perjury), provided that the taxpayer does not know or have reason to know that information provided by the dependent care provider on that form is incorrect. In addition, the IRS could prescribe other methods by which the dependent care provider may provide the required information to the taxpayer. If so, the dependent care provider could choose among the authorized methods (i.e., copy of social security card or driver's license, IRS form, or other means approved by the IRS) in order to provide the required information to the taxpayer.

The conference agreement requires the dependent care provider to furnish the provider's correct TIN to the taxpayer, unless the provider is exempt from Federal income taxation and is described in section 501(c)(3) of the Code. A provider who fails to comply with this requirement is subject to a penalty of \$50 for each such failure unless it is shown that such failure is due to reasonable cause and not to willful neglect.

This provision is effective for amounts claimed in taxable years beginning after December 31, 1988 (i.e., returns due on April 15, 1990, and after).

C. TAX TREATMENT OF CERTAIN BUSINESS EXPENSES (SECTION 902 OF THE SENATE AMENDMENT)

Present Law

Meal and entertainment expenses

In general, the amount of business meal or entertainment expenses allowable as a deduction equals 80 percent of such expenses (Code sec. 274(n)).

Employee business expenses

If an employer reimburses an employee (1) for expenses paid by the employee in connection with the performance of services as an employee, and (2) pursuant to a "reimbursement or other expense allowance arrangement," the amount reimbursed generally is includible in the employee's gross income and is deductible in full by the employee as an adjustment to gross income (i.e., as an "above-the-line" deduction). By contrast, deductions for unreimbursed employee business expenses and other miscellaneous itemized deductions generally are allowable only to itemizers, and, under a rule enacted in the Tax Reform Act of 1986 (the "1986 Act"), only to the extent that the total of such deductions exceeds two percent of the taxpayer's adjusted gross income (the "two-percent floor"). (Code secs. 62(a)(2)(A), 67.)

Prior to the 1986 Act, the IRS had ruled that in certain circumstances, an employee could claim an above-the-line deduction for certain expenses incurred pursuant to so-called "nonaccountable plans." These are arrangements under which (1) the employee is not required to substantiate the expenses covered by the arrangement to the person providing the reimbursement, or (2) the employ-

ee has the right to retain amounts in excess of the substantiated expenses covered under the arrangement. Under such a plan, for example, an employer may agree to pay an employee \$60,000 for the year, of which \$55,000 is designated as salary and \$5,000 as an expense allowance, with no requirement that the employee either return to the employer any part of the \$5,000 not utilized for business expenses or substantiate any employee business expenses actually incurred.

House Bill

No provision.

Senate Amendment

Meal and entertainment expenses

In the case of an individual taxpayer, the deductible amount of business meal or entertainment expenses subject to the percentage reduction rule equals 80 percent reduced by one percentage point for each \$1,000 (or fraction thereof) by which the taxpayer's adjusted gross income for the taxable year exceeds \$360,000 (\$180,000 for a married individual filing a separate return). The provision is effective for taxable years beginning after December 31, 1988.

Employee business expenses

No provision.

Conference Agreement

Meal and entertainment expenses

The conference agreement follows the House bill (i.e., no provision).

Employee business expenses

In general

In the 1986 Act, the Congress sharpened the distinction between the tax treatments of unreimbursed and reimbursed employee business expenses. Among other changes, unreimbursed employee expenses plus other miscellaneous itemized deductions generally were made subject to a two-percent floor. In part, this floor takes into account that some unreimbursed expenses that an employee chooses to incur are sufficiently personal in nature that they would be incurred apart from the taxpayer's performance of services as an employee. For example, expenditures for professional association membership and periodical subscriptions may provide personal benefits as well as serve employee business purposes.

At the same time, the Congress decided to retain the above-the-line deduction for reimbursements received by an employee pursuant to a reimbursement arrangement. The Congress viewed an employer's agreement to reimburse certain expenditures pursuant to such an arrangement as evidence that the item was a bona fide, ordinary, and necessary expense of the employer's business, and that in effect the employee was acting as an agent of the employer in paying for the item. In a true reimbursement situation, where

the expenditure is made out of the earnings of the employer's business, the employer has an incentive to require sufficient substantiation to ensure that the allowance to the employee is limited to actual business expenditures incurred on the employer's behalf and for the employer's benefit.

This rationale for allowing the employee an above-the-line deduction to offset true reimbursement amounts does not apply in the case of nonaccountable plans. Under these plans, the amount received by the employee from the employer is not determined by the actual amount of business expenses incurred by the employee during the year. Since the employer does not require substantiation of any employee business expenses actually paid out of the amount received by the employee under the nonaccountable plan, or does not require the employee to return amounts received that are not spent for business purposes, "allowance" amounts under the plan more nearly resemble salary payments than true reimbursement amounts.

If an above-the-line deduction is allowed for expenses incurred pursuant to a nonaccountable plan, the two-percent floor enacted in the 1986 Act could be circumvented solely by restructuring the form of the employee's compensation so that the salary amount is decreased, but the employee receives an equivalent nonaccountable expense allowance. Providing an exception from the two-percent floor for those employees whose employer is willing to utilize a nonaccountable plan is unfair to other employees incurring identical business expenses whose employer does not restructure their compensation through use of a nonaccountable plan.

For example, assume that an employee working for Corporation A is paid \$40,000, designated as a salary, and is not entitled to any additional amount under a nonaccountable plan. If the employee decides to incur \$2,000 in employee business expenses, that amount is deductible only as a miscellaneous itemized deduction, subject to the two-percent floor. By contrast, assume that an employee working for Corporation B is paid \$37,000, designated as salary, and is given an additional \$3,000 for the year, designated as an expense allowance, pursuant to a nonaccountable plan. Under the arrangement the employee may retain any part of the \$3,000 whether or not the employee substantiates to the employer, regardless of the amount of employee business expenses. Under present law, if this employee chooses to expend only \$2,000 on otherwise allowable employee business expenses, the employee may be able to claim \$2,000 as an above-the-line deduction. The conferees believe that there is no justification for different tax treatment of these two employees who receive (and are allowed to retain) identical dollar amounts from their employers and who make identical employee business expenditures.

Under the conference agreement, employee business expenses paid or incurred under so-called "nonaccountable plans" are deductible by an employee only as an itemized deduction, subject to the two-percent floor. These are arrangements that (1) do not require the employee to substantiate expenses covered by the arrangement to the person providing the reimbursement, or (2) provide the employee the right to retain amounts in excess of the sub-

stantiated expenses covered under the arrangement. All such amounts are includible in the employee's gross income.

Substantiation

In general

Under the conference agreement, otherwise allowable employee business expenses are deductible above-the-line as reimbursed expenses only if incurred pursuant to a reimbursement or other expense allowance arrangement that requires the employee to substantiate expenses covered by the arrangement to the person providing the reimbursement. Pursuant to this rule, to be deductible above-the-line such expenses either must be actually substantiated to the person providing the reimbursement, or must be deemed substantiated under the rule described below relating to per diem and other fixed arrangements.

In the case of travel, entertainment, and other expenses governed by section 274, the employee is considered to have substantiated expenses for this purpose if informant is submitted to the person providing the reimbursement sufficient to satisfy the present-law substantiation requirements under section 274 and the regulations under that section. For all other business expenses, and employee is considered to have substantiated expenses for this purpose if information is submitted sufficient to enable the person providing the reimbursement to identify the specific nature of each expense and to conclude that the expense is attributable to the employer's business activities. It is not sufficient if an employee merely aggregates expenses into broad categories (such as "travel") or reports individual expenses through the use of vague, non-descriptive terms (such as "miscellaneous business expenses").

The substantiation requirement in the provision for purposes of obtaining an above-the-line deduction under section 62(a)(2)(A) does not affect present-law substantiation rules under sections 162 or 274.

Per diem and other fixed allowances

The conference agreement provides, similarly to present law substantiation rules under sections 162 and 274, that an employee who receives a per diem or other fixed allowance from an employer will be considered as substantiating (for purposes of sec. 62(a)(2)(A)) the amount of expenses covered by the arrangement up to amounts which have been specified by the IRS.¹ As under present law, elements of an employee's business expenses other than the amount of such expenses (for example, the business purpose of the travel or the number of business miles driven) must be substantiated to the person providing the reimbursement. Thus, to the extent of such fixed allowance, the employee is allowed an above-the-line deduction for the expenses.

The conferees intend that the IRS may deem per diem allowances that are received by an employee and that are calculated to

¹ Under present law, the IRS has discretion to approve reasonable business practices under which per diem, mileage, and similar fixed-scale travel allowances may be regarded as equivalent to an accounting to an employer. See Treas. Reg. secs. 1.162-17(b)(4), 1.274-5(f), and 1.274-5T(g).

exclude lodging costs to be substantiated for this purpose if such allowances are not in excess of the maximum per diem rate for meals and incidentals for which the Executive Branch of the Federal Government reimburses its employees in such cases.

If an employee receives a per diem or other fixed allowance (e.g., 25 cents per mile) that is similar in form to the IRS-specified allowance (e.g., it varies in proportion with miles driven or days away from home) but that exceeds the IRS-specified rates, then the employee is deemed to substantiate the amount of expenses only up to the IRS-specified rates, and any additional business expenses incurred by the employee (whether or not covered by the per diem received from the employer) could be claimed by such employee only as a below-the-line itemized deduction.² To deduct the excess amount, the employee must be able to substantiate to the IRS the total amount of expenses (i.e., those deemed to have been substantiated and those deductible as an itemized deduction subject to the two-percent floor). This is to ensure that the IRS will be able to determine the proper amount that an employee is entitled to deduct as an itemized deduction. This special rule allowing above-the-line deductions up to IRS-specified rates only applies if the employee substantiates to the employer the elements necessary for the employer to determine the amount of the allowance (e.g., the number of the miles driven, the number of days away from home, and the business purposes of the travel).

Retaining amounts in excess of expenses

Under the conference agreement, employee business expenses are not deductible above-the-line as reimbursed expenses unless, in addition to requiring substantiation, the reimbursement or other expense allowance arrangement requires the employee to return to the person providing the reimbursement or allowance all amounts in excess of expenses covered by the arrangement and actually incurred by the employee. Pursuant to this rule, an arrangement will not be treated, with respect to an employee, as requiring the employee to return such excess amounts unless the employee actually returns all such excess amounts.

In cases where an employee is reimbursed by the employer on the basis of a per diem or other fixed allowance that is similar in form to an IRS-specified allowance (e.g., it varies proportionately with miles driven or days away from home), regardless of whether the allowance rate equals the IRS-specified rate, such expense allowance up to the IRS-specified rate are deemed to be substantiated (to the extent discussed under "Substantiation" above). Accordingly, there is deemed to be no excess retained by the employee out of the fixed allowance. Thus, an above-the-line deduction is allowed up to the IRS-specified rate.

² For example, assume that an employer provides reimbursement to an employee for business use of the employee's car at a rate of 30 cents per mile, and that the employee substantiates 1,000 miles of business travel. The standard mileage allowance specified by the IRS is 22.5 cents per mile (for 1987). Under the provision, the employee is deemed to substantiate expenses of \$225 ($\$0.225 \times 1,000$). If the employee can establish that his actual expenses of operating the car exceeded the IRS-specified allowance (\$225), the excess could be claimed as an itemized deduction, subject to the two-percent floor.

Reporting and withholding requirements

The conferees intend that the Treasury Department is to revise the requirements, provided by regulations and rulings, for the reporting of business expense reimbursements and allowances. These revisions should conform to the reporting requirements to the changes made by this provision with the goal of enforcing the new rules for above-the-line deductions in the most effective and efficient manner.³

The conferees intend that similar changes are to be made in the regulations and ruling defining the amounts subject to income tax withholding. In general, the conferees expect that such revisions will provide that, to the extent reasonably feasible, reimbursements or allowance amounts that are not offset by an above-the-line deduction for business expenses under the rules of the provision are subject to income tax withholding. (Of course, such revisions would not prevent an employee from realizing the benefit of other business expense deductions upon the filing of a tax return in which these expenses are properly claimed as itemized deductions.) In addition, the Treasury may revise the regulations governing the exclusion of reimbursements and allowances from other employment taxes if it finds that conforming the rules for these taxes to the rules for income tax withholding fosters significant administrative simplicity.

Effective date

The provision is effective for taxable years beginning after December 31, 1988.

D. TAXPAYER IDENTIFICATION NUMBERS REQUIRED FOR DEPENDENTS AGE TWO AND OVER CLAIMED ON TAX RETURNS

(Section 803 of the Senate amendment.)

Present Law

An individual must include his or her taxpayer identification number (TIN) on the individual's tax return. In addition, an individual claiming an exemption for a dependent who is at least five years old must report the TIN of the dependent on the individual's tax return (Code sec. 6109(e)). The penalty for failing to include the TIN (or for including an incorrect TIN) is \$5 per TIN per return (sec. 6676(a)(1)).

This reporting requirement allows the IRS to conduct a compliance program under which these TINs can be cross-checked against other files, such as the social security death file, the social security valid account number file, and State and Federal public assistance records, as well as against files of the IRS.

An individual's TIN generally is the individual's social security number. Some individuals are exempted from social security self-

³ Present-law IRS rules permit an employee who is reimbursed for business expenses that the employee has substantiated to the employer and whose reimbursement equals the expenses not to report either the reimbursement or the expenses on the employee's tax return. The conferees intend that, to the extent the conference agreement continues to allow an above-the-line deduction for such expenses, this practice is to continue in effect to the extent feasible and administrable.

employment taxes because of their religious beliefs. These individuals do not have a social security number; instead, they are assigned administratively a taxpayer identification number.

House Bill

No provision.

Senate Amendment

A taxpayer claiming an exemption for a dependent who is at least two years old before the close of the taxable year with respect to which the return is filed must include the TIN of that dependent on the tax return of the taxpayer for that taxable year. If the return fails to provide the required TIN or furnishes an incorrect TIN, and the taxpayer fails to provide the correct TIN after an IRS request, the IRS may continue its current practice of denying the exemption for the dependent if the taxpayer is unable to establish that it is proper to claim that dependent on the tax return.

No change is intended to the special procedures for obtaining TINs utilized by taxpayers whose religious beliefs affect their participation in social security.

The provision is effective for returns for which the due date (determined without regard to extensions) is after December 31, 1988.

Conference Agreement

The conference agreement follows Senate amendment, effective for returns for which the due date (determined without regard to extensions) is after December 31, 1989.

E. DISALLOWANCE OF DEDUCTIONS FOR EXPENDITURES PAID OR INCURRED IN CONNECTION WITH CRIMINAL ACTIVITIES

(Section 904 of the House Bill.)

Present Law

Ordinary and necessary expenses paid or incurred in carrying on a trade or business generally are deductible in computing taxable income. However, no deduction is allowed for fines and penalties, illegal bribes and kickbacks, and certain other illegal payments (secs. 162(c), 162(f), and 162(g)).

In addition, under present law, no deduction or credit is allowed for expenditures incurred in carrying on illegal trafficking in certain controlled substances (sec. 280E). The disallowance does not apply to expenses that are included in cost of goods sold.

House Bill

No deduction or credit is allowed for amounts paid or incurred in connection with any activity that is prohibited by Federal criminal law or the criminal law of any State in which the activity is conducted. Expenses that are included in cost of goods sold are subject to disallowance under this provision.

The provision applies to amounts paid or incurred after December 31, 1987.

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the Senate amendment (i.e., no provision).

VIII. FOOD STAMP PROVISIONS ¹

A. SHORT TITLE

Present Law

No provision.

House Bill

Cities title X as the Food Stamp Family Welfare Reform Act of 1987. (Sec. 1001.)

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the *Senate* amendment (no provision).

B. CATEGORICAL ELIGIBILITY

Present Law

Households in which all members are recipients of AFDC or SSI benefits are categorically eligible for food stamps, without regard to food stamp income and asset eligibility rules. They must, however, meet any applicable employment and training requirements, not have been found ineligible due to fraud, not live in an institution, and, in the case of SSI recipients, live in a State other than California or Wisconsin (in which SSI benefits include an amount for food stamps). Categorical food stamp eligibility for AFDC and SSI households is effective through September 1989. (Sec. 5(a).)

House Bill

The current categorical eligibility rule would be made permanent. (Sec. 1002.)

Senate Amendment

No provision.

¹ References to present law are to the Food Stamp Act of 1977, prior to amendment by P.L. 100-435 (enacted Sept. 19, 1988).

Conference Agreement

The conference agreement follows the *Senate* amendment (no provision).

[Note: P.L. 100-435 contains the same provision as in the *House* bill.]

C. EXCLUSION FOR CERTAIN EDUCATION EXPENSES

Present Law

Federal and non-Federal education assistance is excluded, as income for food stamp purposes, (a) to the extent it is used for tuition and mandatory school fees (including, by regulation, costs for equipment, supplies, and materials required of all students in the same course of study) at a postsecondary institution or school for the handicapped, and (b) to the extent any education loan includes origination fees or insurance premiums. (Sec. 5(d)(3).)

In addition, *Federal* postsecondary education assistance under title IV of the Higher Education Act is excluded to the extent it is used for books, supplies, transportation, and miscellaneous personal expenses incidental to attendance (up to an allowance determined by the school). (Sec. 479B of the Higher Education Act of 1965, as amended.)

No portion of any non-Federal education assistance may be excluded from income for food stamp purposes as a reimbursement for expenses to the extent it is provided for living expenses. And, no portion of any Federal education assistance may be excluded from income as a reimbursement to the extent it provides income assistance beyond tuition and mandatory school fees.

House Bill

Federal and non-Federal education assistance would be excluded (a) to the extent used for tuition and mandatory school fees (including costs for equipment, supplies, and materials required of all students in the same course of study) at a postsecondary school, institution of higher education, or school for the handicapped, *or in an employment training program or a program for completion of secondary education*, (b) to the extent any education loan includes origination fees or insurance premiums, and (c) *to the extent used for books, supplies, transportation, and miscellaneous personal expenses incidental to attendance (up to an allowance determined by the school)*. (Sec. 1003.)

No portion of any *Federal or non-Federal* education assistance would be excluded from income as a reimbursement for expenses to the extent it is provided for living expenses. (Sec. 1003.)

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the *Senate* amendment (no provision).

D. EXCLUSION OF CHILD SUPPORT PAYMENTS RECEIVED

Present Law

States may choose to exclude, as income for food stamp purposes, child support payments that are disregarded under title IV-A of the Social Security Act (i.e., the first \$50 a month). If a State chooses to exclude these payments, it must pay the food stamp benefit cost of doing so. (Secs. 5(d)(13) and 5(m).)

House Bill

An income exclusion would be *required* for those child support payments that are disregarded for recipients under title IV-A of the Social Security Act. The food stamp benefit cost of doing so would be a Federal cost. (Sec. 1004.)

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the *Senate* amendment (no provision).

E. EXCLUSION FOR TWO-PARTY PAYMENTS MADE FOR AGRICULTURAL COMMODITIES

Present Law

No provision.

House Bill

An exclusion, as income for food stamp purposes, would be required for payments made for agricultural commodities produced by a household member engaged in farming, if the payments are made payable jointly to any member of the household and a person (including a government entity) that holds a security interest in the commodities—except to the extent the payments are actually available to the household. (Sec. 1005.)

[Note: This would have the effect of excluding farm loan repayments to the extent made through two-party checks received as payments for commodities.]

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the *Senate* amendment (no provision).

F. EXCLUSION FOR ADVANCE PAYMENT OF EARNED INCOME CREDIT

Present Law

To determine income for food stamp purposes, earned income tax credit payments are: (1) counted as liquid assets if received as a lump-sum payment, (2) counted as income if received as periodic "advance payments", and (3) not counted at all if received as a simple reduction in a year-end tax payment. (Sec. 5(d)(8).)

House Bill

An income *exclusion* would be required for earned income tax credits received as periodic advance payments. (Sec. 1006.)

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the *Senate* amendment (no provision).

[Note: P.L. 100-435 contains the same provision as in the *House* bill.]

G. DEDUCTION FOR DEPENDENT CARE

Present Law

A deduction from countable income for food stamp purposes is allowed for any dependent-care expenses (other than those paid for by a third party) related to employment or training for employment, regardless of the dependent's age. This deduction is limited to \$160 a month for each food stamp household. (Sec. 5(e).)

House Bill

A deduction from countable income would be allowed for any dependent-care expenses (other than those paid for by a third party) related to employment or training for employment—up to \$200 a month for each dependent who is less than 2 years of age, and up to \$175 a month for each other dependent (regardless of age). (Sec. 1007(b).)

A conforming amendment would make clear that dependent-care payments to households under a food stamp employment and training program would be excluded as income. (Sec. 1007(a).)

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the *Senate* amendment (no provision).

[Note: P.L. 100-435 contains (1) a provision expanding the availability of the dependent-care deduction to \$160 a month for *each*

dependent, and (2) a conforming amendment that is the same as in the *House* bill.]

H. ANNUALIZING SELF-EMPLOYMENT INCOME AND EXPENSES FROM FARMING

Present Law

In the case of self-employed households that derive their annual income in a period shorter than 1 year (i.e., receive their income irregularly), State agencies are required to calculate monthly income for food stamp purposes by averaging it over a 12-month period. (Sec. 5(f)(1).)

House Bill

In the case of those households with a member who has self-employment income from farming *and irregular expenses* to produce that income, State agencies would be required, at the household's option, to calculate monthly income and expenses by averaging them over a 12-month period. (Sec. 1008.)

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the *Senate* amendment (no provision).

[Note: P.L. 100-435 contains the same provision as in the *House* bill.]

I. RELIANCE ON PAST SELF-EMPLOYMENT INCOME FROM FARMING

Present Law

State agencies are required to calculate self-employment income based on anticipated earnings, if the averaged amount based on the prior year's earnings does not accurately reflect the household's actual monthly circumstances because the household has *experienced a substantial change* in self-employment business earnings. (Sec. 5(f)(1).)

House Bill

State agencies would be prohibited from using past income from self-employment *in farming* as an indicator of anticipated income, if changes in that income have occurred or *can be anticipated to occur* in the certification period. (Sec. 1009.)

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the *Senate* amendment (no provision).

J. EXCLUSION OF CERTAIN PROPERTY FROM RESOURCES

Present Law

Business assets (such as farm land, equipment, and supplies) are excluded in determining whether a household meets food stamp resource (liquid asset) eligibility standards, while they are used in producing business income (e.g., while a farmer is engaged in farming). (Sec. 5(g).)

House Bill

Property essential to a farming operation (including farm land, equipment, and supplies) also would be excluded for one year after a farmer ceases to be self-employed in farming. (Sec. 1010.)

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the *Senate* amendment (no provision).

[Note: P.L. 100-435 contains the same provision as in the *House* bill.]

K. ELIGIBILITY OF STUDENTS

Present Law

A physically and mentally fit individual between the ages of 18 and 60 enrolled at least half-time in an institution of higher education is ineligible for food stamps unless the individual is—

(1) assigned or placed in school under a Job Training Partnership Act (JTPA) program,

(2) employed at least 20 hours a week or working in a federally financed work study program,

(3) a parent with responsibility for the care of a dependent child under age 6,

(4) a parent with responsibility for the care of a dependent child between ages 6 and 12 for whom adequate child care is not available,

(5) receiving AFDC, or

(6) enrolled in school because of participation in the WIN program.

(Sec. 6(e).)

House Bill

Eligibility would extend to those attending, awaiting placement in, or accepted by a school under a JTPA program, a food stamp employment or training program, a Trade Adjustment Assistance training program, or a State or local jurisdiction's training program.

The child care eligibility rule would apply to parents with responsibility for the care of a dependent child between ages 6 and 12 for whom adequate child care is not available *to enable them to*

work at least 20 hours a week or participate in a work study program.

Eligibility would extend to those receiving AFDC or State or local general assistance, and to those who are members of households that are otherwise eligible for food stamps and include the student's parent, grandparent, or legal guardian.

(Sec. 1011.)

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the *Senate* amendment (no provision).

L. EMPLOYMENT AND TRAINING PROGRAMS

(1) Transportation and Related Costs Incurred by Participants

Present Law

State agencies are required to *reimburse* participants in food stamp employment or training programs, including volunteers, for transportation and other actual costs that are reasonably necessary and directly related to participation in the program. State agencies may limit reimbursement to each participant to \$25 a month. (Sec. 6(d)(4)(H).)

The Secretary of Agriculture is required to reimburse State agencies 50 percent of the participation costs they *pay or incur*. This reimbursement: (1) may not exceed half of \$25 a month for each participant, and (2) may not be paid from the separately allocated Federal grants to carry out employment and training programs. (Sec. 16(h).)

House Bill

State agencies would be required to *pay for* transportation, dependent care, and other actual costs of participants in food stamp employment or training programs, including volunteers, that are reasonably necessary and directly related to program participation.

State agencies would be allowed to limit payments for costs other than dependent care to an amount no less than \$25 and no more than \$75 a month for each participant.

State agencies would be allowed to limit payments for dependent care to \$200 a month for each dependent who is less than 2 years of age and \$175 a month for each other dependent (regardless of age).

State agencies would be allowed to make payments for transportation, dependent care, and other participation costs directly to participants or to service providers.

Direct payments to participants: (1) could be in cash, or in certificates redeemable by the State agency on presentation by a service provider if the certificates are readily usable by participants, and (2) must be made in advance to the maximum extent practicable.

The Secretary would be required to reimburse State agencies 50 percent of the participation costs they pay participants. This reimbursement: (1) could not exceed half *the limits set by each State for costs other than dependent care (\$25-\$75 a month for each participant) plus half of dependent-care payments to the proposed \$200/\$175 a month limits for each dependent*, and (2) could not be paid from the separately allocated Federal grants to carry out employment and training programs.

(Sec. 1012(a).)

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the *Senate* amendment (no provision).

[Note: P.L. 100-435 contains provisions similar to those in the *House* bill, increasing federally subsidized support for participants' dependent-care expenses to a maximum of \$160 a month.]

(2) Performance Standards

Present Law

Under section 6(d)(4)(J) of the Food Stamp Act, the Secretary is required, for any fiscal year, to establish performance standards that designate the minimum percentages of persons subject to employment requirements (and not exempted from them by State agencies) that the State agencies must place in employment and training programs. These minimum percentages may not exceed 50 percent through September 1989.

Performance standards may vary among the States. In setting performance standards, the Secretary is required to consider State costs and the degree of volunteer participation, and must vary performance standards according to differences in the characteristics of persons required to participate and the type of program to which the standard is applied.

In determining whether a State agency has met a performance standard, the Secretary is required to consider the extent of volunteer participation, factors such as placement in unsubsidized jobs, increases in earnings, and reduction in food stamp participation, and other related factors the Secretary determines to be related to employment and training.

The Secretary may delay establishing performance standards through September 1988, in order to base them on State agency experience in implementing food stamp employment and training programs.

(Sec. 6(d)(4)(J).)

House Bill

The provisions of section 6(d)(4)(J) would be rewritten. Under the revised section, the Secretary would be required to establish performance standards developed after consultation with Office of

Technology Assessment, the Secretaries of Labor and Health and Human Services, appropriate State officials, other appropriate experts, and food stamp participant representatives.

Performance standards would be required to: (1) be coordinated with corresponding standards under the Job Training Partnership Act and employment and training programs under title IV of the Social Security Act, (2) be measured by employment outcomes and based on the degree of success that may reasonably be expected in helping individuals to achieve self-sufficiency, (3) take into account the degree of volunteer participation, (4) take into account job placement rates, wage rates, and job retention rates, (5) take into account households ceasing to need food stamp aid, (6) take into account improvements in educational levels of household members, (7) take into account the extent to which household members are able to obtain jobs with health benefits, (8) encourage States to serve those with greater barriers to employment, (9) include guidelines permitting appropriate variations for differing conditions (including unemployment rates and rates of volunteer participation) among States, and (10) be varied in any State (to the extent permitted by the Secretary's guidelines) to the extent necessary to take account of specific economic, geographic, and demographic factors in the State, and the characteristics of the population served and the types of services provided.

The Secretary would be required to publish proposed measures for the new performance standards not later than 1 year after enactment.

The new performance standards would be required to be established, issued, and published not sooner than October 1, 1989, and would be required to be implemented not later than 180 days after publication.

Performance standards established under present law would remain in effect until the new performance standards are implemented.

(Sec. 1012(b) and 1012(e).)

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the *Senate* amendment (no provision).

[Note: P.L. 199-435 contains performance standard provisions similar to those in the *House* bill.]

(3) Development of Model Performance Standards

Present Law

No provision.

House Bill

The Office of Technology Assessment would be required to: (1) develop model performance standards suitable for food stamp employ-

ment and training programs that satisfy the criteria specified for the Secretary's standards, (2) compare its standards to the Secretary's, and (3) submit to the House, Senate, and Secretary the results of its comparison—not later than 180 days after the Secretary publishes proposed measures for performance standards. (Sec. 1012(c).)

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the *Senate* amendment (no provision).

[Note: P.L. 100-435 contains model performance standard provisions similar to those in the *House* bill.]

(4) Incentive Payments

Present Law

No provision.

House Bill

The Secretary would be required to develop, and transmit to the House Committee on Agriculture and the Senate Committee on Agriculture, Nutrition, and Forestry, a proposal for modifying the rate of Federal payments to State agencies for food stamp employment and training activities so as to reflect the relative effectiveness of the various States in carrying out these activities. (Sec. 1012(d).)

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the *Senate* amendment (no provision).

[Note: P.L. 100-435 contains incentive payment provisions similar to those in the *House* bill.]

M. FARM HOUSEHOLDS

(1) Authority to Provide Information

Present Law

States may not conduct food stamp "outreach" activities using Federal food stamp funds except, as state option, informational activities for the homeless. (Sec. 11(e)(1).)

[Note: The normal Federal share of State agency administrative costs (50 percent) is applied to those informational activities for which Federal funds are available. (Sec. 16(a).)]

House Bill

States also would be allowed, at their option, to conduct food stamp informational activities, using Federal funds (i.e., a 50-percent Federal share), directed at households with members engaged in farming. (Sec. 1013(a).)

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the *Senate* amendment (no provision).

[Note: P.L. 100-435 contains provisions allowing States to conduct food stamp informational activities for low-income households using Federal funds.]

(2) Special Training of State Personnel

Present Law

State agencies must undertake to provide continuing, comprehensive training for all certification personnel. (Sec. 11(e)(6)(C).)

[Note: The Federal share of State agency training costs is the normal 50-percent Federal share of administrative costs. (Sec. 16(a).)]

House Bill

State agencies would, at their option, be allowed to undertake intensive training to ensure that certification personnel dealing with farm households are well qualified to perform certification of these households. As with normal training costs, the Federal share would be 50 percent. (Sec. 1013(b)(1).)

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the *Senate* amendment (no provision).

[Note: P.L. 100-435 contains the same provision as in the *House* bill.]

(3) Training Materials

Present Law

No provision.

House Bill

The Secretary would be required to publish instructional materials specifically designed to be used by State agencies to provide intensive training to personnel dealing with farm households—not

later than 180 days after enactment, and annually thereafter. (Sec. 1013(b)(2)(B).)

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the *Senate* amendment (no provision).

[Note: P.L. 100-435 contains the same provision as in the *House* bill.]

(4) Technical Correction

Present Law

No provision.

House Bill

Subsection 6(h) of the Food Stamp Act, as designated by the 1986 Immigration Reform and Control Act, would be redesignated as 6(j), in order to eliminate a duplicative subsection designation in the Act. (Sec. 1013(b)(2)(A).)

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the *Senate* amendment (no provision).

[Note: P.L. 100-435 contains the same provision as in the *House* bill.]

N. HOURS OF OPERATION

Present Law

The Secretary is required to establish standards for efficient and effective administration of the food stamp program, including standards for periodic review of food stamp office hours to ensure that *employed persons* are adequately served. (Sec. 16(b).)

House Bill

State food stamp agencies would be required to ensure that their offices and points of issuance are open at sufficient locations and during sufficient hours to ensure that persons who are employed, or who are in a work, education, training, or rehabilitation program, may (1) comply with food stamp requirements (including reporting changes, providing verification, appearing at interviews, and submitting applications and requests for recertification) and (2) obtain and use certification documents and food stamps—without missing or rescheduling work, education, or training hours. (Sec. 1014(a).)

The Secretary would be required to include in the standards for periodic review of office hours standards for review of hours to ensure that *persons participating in employment and training programs* are adequately served. (Sec. 1014(b).)

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the *Senate* amendment (no provision).

O. NOTICE OF EXPIRATION; COORDINATED APPLICATION

(1) Notice of Expiration

Present Law

State agencies must ensure that participating households receive a notice that their certification period is expiring prior to the start of the last month of their certification period. (Sec. 11(e)(4).)

House Bill

Notices of expiration would be required to inform households of their rights to: (1) a single interview for food stamps and AFDC, (2) in the case of SSI applicants or recipients, assistance in making a simple application to participate and certification for food stamps using information in Social Security Administration files, (3) in the case of AFDC or general assistance recipients, joint food stamp/public assistance application forms, and (4) in the case of new applicants and those recently denied public assistance, certification for food stamps based on information in their public assistance case file.

Notices of expiration also would be required to inform applicants or recipients of social security benefits of the availability of a simple food stamp application at social security offices.

(Sec. 1015(a).)

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the *Senate* amendment (no provision).

(2) Coordinated Application

Present Law

The Secretary and the Secretary of Health and Human Services are required to develop a system by which: (1) single interviews are conducted to determine food stamp and AFDC eligibility, (2) households in which all members are applicants for or recipients of SSI benefits are informed of the availability of food stamp benefits, as-

sisted in making a simple food stamp application at social security offices, and certified for food stamps using information in social security files, (3) households in which all members are AFDC or general assistance recipients have their food stamp application included with their public assistance application, and (4) new applicants and those recently denied public assistance are certified for food stamps using information in the assistance case file (to the extent reasonably verified information is available).

States are required to implement coordinated application procedures (1) and (2), and may implement procedures (3) and (4).

(Sec. 11(i).)

House Bill

States would be required to implement all four coordinated application procedures.

In addition, States would be required to inform applicants for AFDC benefits that they may file, along with their application for AFDC and without a separate interview, an application for food stamps.

(Sec. 1015(b).)

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the *Senate* amendment (no provision).

[Note: P.L. 100-435 contains the same provisions as in the *House* bill.]

P. WASHINGTON FAMILY INDEPENDENCE DEMONSTRATION PROJECT

Present Law

[NOTE: Provisions nearly identical to those proposed in the *House* Bill were enacted, as a new section 21 of the Food Stamp Act, by the Omnibus Budget Reconciliation Act of 1987 (P.L. 100-203).]

The State of Washington is permitted to conduct a Family Independence Demonstration Project (in all or part of the State) on written application to the Secretary and after the Secretary's approval.

Washington State's application must provide that, except as otherwise provided, the provisions of its May 1987 law establishing the Project will apply to the Project, and that the following terms and conditions will apply: (1) AFDC recipients and other individuals included in the State's law establishing the Project will be eligible to participate in lieu of receiving food stamps and cash assistance under any other Federal program covered by the State's law, (2) individuals eligible to receive only child care or medical benefits under the Project will not be able to receive food aid under the Project, (3) Project participants will receive cash assistance not less than the total value of food stamp and cash aid they would otherwise receive, (4) the State may provide a standard food assistance

benefit under the Project (as long as participants receive food aid that is no less than they would otherwise receive), (5) the State may provide cash food aid equal to the value of the Thrifty Food Plan, (6) Project participants will be notified monthly of the amount of Project assistance provided as food aid, (7) the State will have a program to require Project participants to engage in employment and training activities, (8) food aid will be provided under the Project to any individual accepted for participation not later than 30 days after application, (9) food aid under the Project will be provided to any participant until cash aid under the Project is terminated and the State determines food stamp eligibility and issues food stamps, (10) as in the food stamp program, bilingual personnel and materials will be used, (11) as in the food stamp program, safeguards limiting disclosure of information about participants will be provided, (12) as in the food stamp program, fair hearing procedures will be provided, (13) information from the Social Security Administration, the Internal Revenue Service, and unemployment compensation agencies will be used to the extent allowed, (14) applications for participation will be taken on initial contact, (15) special procedures (e.g., telephone contacts, in-home interviews) will be provided for elderly persons, handicapped persons, and those with transportation difficulties or similar hardships, (16) authorized representatives will be allowed in the application review process, and (17) special procedures will be provided for homeless persons.

The State must provide assurances that: (1) persons will be allowed to participate in the food stamp program without participating in the Project, (2) the cost of food assistance under the Project will not exceed the anticipated aggregate value of food stamp aid and the Federal share of food stamp administrative costs that would have accrued without the Project, and (3) it will continue to carry out the food stamp program during the Project.

If there is a change in State law that would eliminate guaranteed benefits or reduce the rights of applicants or participants, the Project is to be terminated.

The State is to assure that the Project will include procedures and due process guarantees no less beneficial than those available under State and Federal law to food stamp participants.

The State is to assure that it will carry out the Project for 5 years. However, the Project may be terminated 180 days after notice by the State or the Secretary.

If the application submitted by the State fulfills the requirements set forth in law, the Secretary is to approve the application and pay the State the cost of food assistance under the Project and a Federal share of administrative costs.

Until an application to participate in the Project is approved and food assistance made available, the application to participate in the Project is to be treated as an application for food stamps. Food stamp benefits may not be reduced or terminated due to application to participate in the Project.

For purposes of the food stamp program, persons who participate in the Project will not be considered members of a food stamp household.

For purposes of other laws, cash food aid provided under the Project will be treated as food stamps.

The Comptroller General is required to conduct and report on periodic audits of the Project's operations.

The Secretary, in consultation with the Secretary of Health and Human Services, is required to conduct an evaluation of the Project.

(Sec. 21.)

House Bill

The *House* bill contains the same provisions as are in present law, with the following exceptions:

The value of food aid that might otherwise be available to Project participants must be determined without regard to individuals not participating in the Project, and must reflect income and resource exclusions and deduction adjusted for all increases in exclusions and deductions, as well as benefit levels.

The value of food stamps that would have been distributed without the Project must be determined without regard to individuals not participating in the Project.

(Sec. 1016.)

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the *Senate* amendment (no provision).

Q. FAMILY INDEPENDENCE DEMONSTRATION PROJECTS

Present Law

No provision.

House Bill

Up to 10 States would be allowed to conduct family independence demonstration projects under the same terms and conditions provided for Washington State under the *House* bill (as described in the preceding item)—except that food aid must be provided in coupons rather than in cash. (Sec. 1017.)

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the *Senate* amendment (no provision).

R. ISSUANCE OF RULES

Present Law

No provision.

House Bill

The Secretary would be required to issue rules to carry out the provisions of the Food Stamp Family Welfare Reform Act not later than January 1, 1988—except for rules pertaining to family independence demonstration projects. (Sec. 1018.)

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the *Senate* amendment (no provision).

S. SEVERABILITY*Present Law*

No provision.

House Bill

If any provision of the Food Stamp Family Welfare Reform Act or any application of any of its provisions is held invalid, the remainder of the Act and its amendments would not be affected. (Sec. 1019.)

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the *Senate* amendment (no provision).

T. EFFECTIVE DATES; APPLICATION OF AMENDMENTS**(1) Contingency***Present Law*

No provision.

House Bill

Other than the severability provision (sec. 1019), which would take effect on enactment of the bill, the provisions of the Food Stamp Family Welfare Reform Act would only take effect if the aggregate reduction in the Federal deficits in fiscal years 1988, 1989, and 1990 (as determined by the Director of the Congressional Budget Office under specified procedures) exceeds the aggregate reduction required to be achieved under the budget reduction instructions contained in section 4 of the concurrent budget resolution for fiscal year 1988 (H. Con. Res. 93) by at least the aggregate cost of carrying out the amendments made by the Food Stamp Family Welfare Reform Act for fiscal years 1988-1990.

(Sec. 1020.)

SENATE AMENDMENT

No provision.

Conference Agreement

The conference agreement follows the *Senate* amendment (no provision).

(2) Effective Dates

Present Law

No provision.

House Bill

Provisions dealing with the exclusion for education expenses, the exclusion for child support payments, and eligibility of students would take effect on July 1, 1988.

Provisions relating to employment and training programs would take effect on October 1, 1988.

Provisions relating to family independence demonstration projects would take effect on January 1, 1988.

Other provisions would take effect on the date, if any, the Director of the Congressional Budget Office makes the determination set forth in the contingency provisions noted above.

(Sec. 1020.)

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the *Senate* amendment (no provision).

(3) Application of Amendments

Present Law

No provision.

House Bill

Amendments made by the Food Stamp Family Welfare Reform Act would not apply with respect to any certification period beginning before the effective date of the amendment.

(Sec. 1020.)

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the *Senate* amendment (no provision).

From the Committee on Ways and Means, for consideration of the House bill (except title X), and the Senate amendment (except secs. 203(b)(5), 203(b)(6), 302, 303, 402(d), and 509), and modifications committed to conference:

DAN ROSTENKOWSKI,
TOM DOWNEY,
HAROLD FORD,
DONALD J. PEASE,
BARBARA B. KENNELLY,
GUY VANDER JAGT,
BILL FRENZEL,
HANK BROWN,

From the Committee on Education and Labor, for consideration of title I and secs. 202, 511, and 804 of the House bill, and title II and secs. 502, 503, 506, 507, and 508 of the Senate amendment, and modifications committed to conference:

STEPHEN J. SOLARZ,
JIM JEFFORDS,
STEVE GUNDERSON,
PAUL B. HENRY,

From the Committee on Energy and Commerce, for consideration of title IV of the House bill, and secs. 203(b)(5), 203(b)(6), 302, 303, 402(d), 402(f), 404, 508, 509, 510, and 704 of the Senate amendment, as well as that portion of sec. 201 of the Senate amendment which adds a new sec. 417(f)(6) to the Social Security Act, and modifications committed to conference:

JOHN D. DINGELL,
HENRY A. WAXMAN,
JAMES H. SCHEUER,
DOUG WALGREN,
RON WYDEN,
WAYNE DOWDY,
ED MADIGAN,
BOB WHITTAKER,
THOMAS J. TAUKE,

From the Committee on Agriculture, for consideration of title X and sec. 801 of the House bill, and modifications committed to conference:

DE LA GARZA,
LEON E. PANETTA,
DAN GLICKMAN,
HARLEY O. STAGGERS, Jr.,
MIKE ESPY,
BILL EMERSON,
TOM LEWIS,
BILL SCHUETTE,
WALLY HERGER,

Managers on the Part of the House.

LLOYD BENTSEN,
DANIEL PATRICK MOYNIHAN,
DAVID PRYOR,
JOHN D. ROCKEFELLER IV,
THOMAS A. DASCHLE,
BOB PACKWOOD,
BOB DOLE,
MALCOLM WALLOP,
WILLIAM L. ARMSTRONG,
Managers on the Part of the Senate.



Finder's Aid
P.L. 100-628 (102 Stat. 3224) Approved November 7, 1988
"Stewart B. McKinney Homeless Assistance Amendments Act of 1988"

<u>Subject</u>	<u>S.S. Act Section</u>	<u>P.L. Section</u>	<u>102 Stat.</u>	<u>H.Rep. Parts 1.2.3</u>	<u>S. Rep. 100-393</u>	<u>H.C. Rep 100-1089</u>
Provisions of State Laws--Access to State Employment Records	303(1) New	904(c)(1)(A)	3260	--	--	90-91
Access to State Employment Records (conforming amendment)	304(a)(2)	904(c)(1)(B)	3261	--	--	90-91

Public Law 100-628
100th Congress

An Act

Nov. 7, 1988
[H.R. 4352]Stewart B.
McKinney
Homeless
Assistance
Amendments
Act of 1988.
Disadvantaged
persons.
42 USC 11301
note.

To amend the Stewart B. McKinney Homeless Assistance Act to extend programs providing urgently needed assistance for the homeless, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE AND TABLE OF CONTENTS.

(a) **SHORT TITLE.**—This Act may be cited as the “Stewart B. McKinney Homeless Assistance Amendments Act of 1988”.(b) **TABLE OF CONTENTS.**—

Sec. 1. Short title and table of contents.

TITLE I—GENERAL PROVISIONS

Sec. 101. Budget compliance.

Sec. 102. Annual program summary by Comptroller General.

TITLE II—INTERAGENCY COUNCIL ON THE HOMELESS

Sec. 201. Preparation of bimonthly bulletin.

Sec. 202. Provision of professional and technical assistance.

Sec. 203. Establishment of program timetables.

Sec. 204. Authorization of appropriations.

Sec. 205. Extension of Interagency Council.

Sec. 206. Encouragement of State involvement.

TITLE III—FEDERAL EMERGENCY MANAGEMENT FOOD AND SHELTER
PROGRAM

Sec. 301. Report on emergency food and shelter grant program.

Sec. 302. Authorization of appropriations.

TITLE IV—HOUSING ASSISTANCE

Subtitle A—Comprehensive Homeless Assistance Plan

Sec. 401. Submission of comprehensive plan.

Sec. 402. Contents of comprehensive plan.

Sec. 403. Performance reviews.

Sec. 404. Coordination.

Subtitle B—Emergency Shelter Grants

Sec. 421. Distribution of assistance by States to private nonprofit organizations.

Sec. 422. Essential services.

Sec. 423. Homelessness prevention as an eligible activity.

Sec. 424. Required use of building as shelter.

Sec. 425. Authorization of appropriations.

Subtitle C—Supportive Housing

Sec. 441. Availability of operating and technical assistance for new structures.

Sec. 442. Project sponsor.

Sec. 443. Maximum period of residence in transitional housing.

Sec. 444. Definition of permanent housing.

Sec. 445. Use of advances to repay debt.

Sec. 446. Limit on grants.

Sec. 447. Eligible activities.

Sec. 448. Employment assistance.

Sec. 449. Limits on advances and grants.

Sec. 450. Site control.

Sec. 451. Flood plain restrictions.

- Sec. 452. Matching requirement.
- Sec. 453. Reports to Congress.
- Sec. 454. Authorization of appropriations.
- Sec. 455. Reallocations.

Subtitle D—Supplemental Assistance for Facilities To Assist the Homeless

- Sec. 461. Use of assistance.
- Sec. 462. Reservation of funds.
- Sec. 463. Site control.
- Sec. 464. Authorization of appropriations.

Subtitle E—Miscellaneous Provisions

- Sec. 481. Section 8 assistance for single room occupancy dwellings.
- Sec. 482. Administrative provisions.
- Sec. 483. Report on effect of rent control on homelessness.
- Sec. 484. Report on allocation formulas.
- Sec. 485. Regulations.

TITLE V—IDENTIFICATION AND USE OF SURPLUS FEDERAL PROPERTY

- Sec. 501. Identification and use of unutilized and underutilized public buildings and property.

TITLE VI—REVISION AND EXTENSION OF PROGRAMS OF HEALTH CARE
FOR THE HOMELESS

Subtitle A—Categorical Grants for Primary Health Services and Substance Abuse
Services

- Sec. 601. Increase in required amount of matching funds and modification in eligibility for waiver with respect to matching funds.
- Sec. 602. Establishment of authority for temporary continued provision of services to certain former homeless individuals.
- Sec. 603. Clarification with respect to certain provisions.
- Sec. 604. Authorization of appropriations.

Subtitle B—Block Grant for Community Mental Health Services

- Sec. 611. Authorization of appropriations and contingent conversions to categorical program.
- Sec. 612. Eligibility of territories.
- Sec. 613. Technical and conforming amendments.

Subtitle C—Authorization of Appropriations for Community Demonstration Projects

- Sec. 621. Mental health services for homeless individuals with chronic mental illness.
- Sec. 622. Alcohol and drug abuse treatment of homeless individuals.

Subtitle D—General Provisions

- Sec. 631. Effective dates.

TITLE VII—EDUCATION, TRAINING, AND COMMUNITY SERVICES
PROGRAMS

Subtitle A—Homeless Assistance Programs

- Sec. 701. Adult education for the homeless.
- Sec. 702. Education for homeless children and youth.
- Sec. 703. Job training for the homeless.
- Sec. 704. Emergency community services homeless grant program.
- Sec. 705. Technical amendments to Older Americans Act of 1965.

Subtitle B—Job Training and Partnership Act

- Sec. 711. Short title.
- Sec. 712. Incentive bonus entitlement for employable dependent individuals.
- Sec. 713. Provisions for improving assistance to hard-to-serve individuals and welfare recipients.
- Sec. 714. Conforming and miscellaneous amendments.

TITLE VIII—VETERANS PROGRAMS

- Sec. 801. Medical programs.

TITLE IX—AID TO FAMILIES WITH DEPENDENT CHILDREN;
UNEMPLOYMENT COMPENSATION

- Sec. 901. Extension of prohibition against implementation of certain proposed regulations.
- Sec. 902. Review of policy governing use of AFDC funds to meet emergency needs of families eligible for AFDC through emergency assistance or special needs payments; report to Congress.
- Sec. 903. Demonstration projects to reduce number of homeless AFDC families in welfare hotels.
- Sec. 904. Preventing fraud and abuse in housing and urban development programs.

TITLE X—HOUSING AND COMMUNITY DEVELOPMENT TECHNICAL
AMENDMENTS

Subtitle A—Housing Assistance

- Sec. 1001. Income eligibility for assisted housing.
- Sec. 1002. Public housing child care grants.
- Sec. 1003. Public housing resident management.
- Sec. 1004. Prohibition of reduction of section 8 contract rents.
- Sec. 1005. Project-based section 8 assistance.
- Sec. 1006. Section 8 assistance for residents of rental rehabilitation projects.
- Sec. 1007. Rental rehabilitation program.
- Sec. 1008. Tweemill House.
- Sec. 1009. Housing counseling.
- Sec. 1010. Multifamily housing management and preservation.
- Sec. 1011. Multifamily housing capital improvements assistance.
- Sec. 1012. Use of funds recaptured from refinancing State finance projects.
- Sec. 1013. Public housing lease and grievance procedures.
- Sec. 1014. Exceptions to tenant preference provisions.

Subtitle B—Preservation of Low Income Housing

- Sec. 1021. Notice of intent.
- Sec. 1022. Plan of action.
- Sec. 1023. Incentives to extend low income use.
- Sec. 1024. Criteria for approval of plan of action.
- Sec. 1025. Modification of existing regulatory agreements.
- Sec. 1026. Report on notice to tenants and incentives.
- Sec. 1027. Definition of eligible low income housing.
- Sec. 1028. Rural rental housing displacement prevention.
- Sec. 1029. Section 8 loan management program.

Subtitle C—Rural Housing

- Sec. 1041. Implementation of guaranteed loan demonstration.
- Sec. 1042. Section 515 rents.
- Sec. 1043. Availability of domestic farm labor housing for other families.
- Sec. 1044. Rural rental rehabilitation demonstration.
- Sec. 1045. Legal representation in litigation involving collection of claims and obligations arising out of rural housing programs.

Subtitle D—Mortgage Insurance and Secondary Mortgage Market Programs

- Sec. 1061. Change in definition of veteran.
- Sec. 1062. Limitation on use of single family mortgage insurance by investors.
- Sec. 1063. Procedures applicable to assumption of insured mortgages.
- Sec. 1064. Payment of claims on losses from preforeclosure sales.
- Sec. 1065. Mortgage insurance on Hawaiian home lands.
- Sec. 1066. Home equity conversion mortgage insurance demonstration.
- Sec. 1067. Reciprocity in approval of housing subdivisions among Federal agencies.
- Sec. 1068. Permanent authority to purchase second mortgages on multifamily properties.

Subtitle E—Community Development and Miscellaneous Programs

- Sec. 1081. City and county classifications.
- Sec. 1082. Corrections to cross-references.
- Sec. 1083. Conserving neighborhoods and housing by prohibiting displacement.
- Sec. 1084. Urban development action grants.
- Sec. 1085. Neighborhood reinvestment corporation.
- Sec. 1086. National flood insurance program.
- Sec. 1087. Home mortgage disclosure.
- Sec. 1088. Lead-based paint poisoning prevention.

Sec. 1089. Interstate land sales full disclosure.

Sec. 1090. Designation of enterprise zones.

Sec. 1091. Report on recommended policy for dealing with radon in assisted housing.

TITLE I—GENERAL PROVISIONS

SEC. 101. BUDGET COMPLIANCE.

42 USC 11303
note.

(a) **IN GENERAL.**—This Act and the amendments made by this Act may not be construed to provide for new budget authority, budget outlays, or new entitlement authority, for fiscal year 1989 or 1990 in excess of the appropriate aggregate levels established by the concurrent resolution on the budget for such fiscal year for the programs authorized by this Act and the amendments made by this Act.

(b) **DEFINITIONS.**—For purposes of this section, the terms “budget authority”, “budget outlays”, “concurrent resolution on the budget”, and “entitlement authority” have the meanings given such terms in section 3 of the Congressional Budget Act of 1974 (2 U.S.C. 622).

SEC. 102. ANNUAL PROGRAM SUMMARY BY COMPTROLLER GENERAL.

(a) **IN GENERAL.**—Section 105 of the Stewart B. McKinney Homeless Assistance Act (42 U.S.C. 11304) is amended—

(1) by inserting “annually” after “shall”; and

(2) by striking “a report” and all that follows and inserting the following: “to the Congress an annual summary of the status of each program authorized under this Act.”.

(b) **CONFORMING AMENDMENTS.**—

(1) **SECTION HEADING.**—The heading for section 105 of the Stewart B. McKinney Homeless Assistance Act (42 U.S.C. 11304) is amended by striking “AUDITS” and inserting “ANNUAL PROGRAM SUMMARY”.

(2) **TABLE OF CONTENTS.**—The item relating to section 105 in the table of contents in section 101(b) of the Stewart B. McKinney Homeless Assistance Act (42 U.S.C. 11301 prec.) is amended to read as follows:

“Sec. 105. Annual program summary by Comptroller General.”.

TITLE II—INTERAGENCY COUNCIL ON THE HOMELESS

SEC. 201. PREPARATION OF BIMONTHLY BULLETIN.

Section 203(a) of the Stewart B. McKinney Homeless Assistance Act (42 U.S.C. 11313(a)) is amended—

(1) by striking “and” at the end of paragraph (5);

(2) by striking the period at the end of paragraph (6) and inserting “; and”; and

(3) by adding at the end the following new paragraph:

“(7) prepare and distribute to States (including State contact persons), local governments, and other public and private non-profit organizations, a bimonthly bulletin that describes the Federal resources available to them to assist the homeless, including current information regarding application deadlines and appropriate persons to contact in each Federal agency providing the resources.”.

State and local
governments.

TITLE VIII—VETERANS PROGRAMS

SEC. 801. MEDICAL PROGRAMS.

(a) **AUTHORIZATION OF APPROPRIATIONS.**—There is hereby authorized to be appropriated to the Veterans' Administration for each of fiscal years 1989 and 1990, in addition to any funds appropriated pursuant to any other authorization (whether definite or indefinite) of appropriations for those fiscal years, the sum of \$30,000,000 for the medical care of veterans by the Veterans' Administration.

(b) **DOMICILIARY CARE.**—Of the amount appropriated pursuant to subsection (a), 50 percent shall be available for—

(1) converting to use for domiciliary care beds the underused space located in facilities under the jurisdiction of the Administrator of Veterans' Affairs in urban areas in which there are significant numbers of homeless veterans; and

Urban areas.

(2) furnishing domiciliary care in such beds to eligible veterans (primarily homeless veterans) who are in need of such care.

(c) **CHRONICALLY MENTALLY ILL HOMELESS VETERANS.**—Of the amount appropriated pursuant to subsection (a), 50 percent shall be available for furnishing care and treatment and rehabilitative services under section 115 of the Veterans Benefits and Services Act of 1988 (Public Law 100-322; 102 Stat. 501) to homeless veterans who have a chronic mental illness disability. Not more than \$500,000 of the amount available under the preceding sentence shall be used for the purpose of monitoring the furnishing of such care and services and, in furtherance of such purpose, maintaining in the Veterans' Administration the equivalent of 10 full-time employees.

(d) **LIMITATION.**—Nothing in this section shall result in the diminution of the conversion of hospital-care beds to nursing-home-care beds by the Veterans' Administration.

TITLE IX—AID TO FAMILIES WITH DEPENDENT CHILDREN; UNEMPLOYMENT COMPENSATION

State and local governments.

SEC. 901. EXTENSION OF PROHIBITION AGAINST IMPLEMENTATION OF CERTAIN PROPOSED REGULATIONS.

Section 9118 of the Omnibus Budget Reconciliation Act of 1987 (42 U.S.C. 1383c) is amended by striking "October 1, 1988" and inserting "September 30, 1989".

SEC. 902. REVIEW OF POLICY GOVERNING USE OF AFDC FUNDS TO MEET EMERGENCY NEEDS OF FAMILIES ELIGIBLE FOR AFDC THROUGH EMERGENCY ASSISTANCE OR SPECIAL NEEDS PAYMENTS; REPORT TO CONGRESS.

(a) **REVIEW OF POLICY.**—The Secretary of Health and Human Services shall review the policies in effect, as of the date of the enactment of this section, with respect to the use by States of amounts paid to such States under the program of aid to families with dependent children under part A of title IV of the Social Security Act, in the form of payments of aid to meet special needs or emergency assistance under section 406(e) of such Act to meet emergency needs of families who are eligible for such aid.

(b) **REPORT TO CONGRESS.**—Not later than July 1, 1989, the Secretary of Health and Human Services shall submit to the Congress a report containing recommendations for legislative and regulatory changes designed to—

(1) improve the ability of the program of aid to families with dependent children under part A of title IV of the Social Security Act to respond to emergency needs of families who are eligible for such aid; and

(2) eliminate the use of funds provided to States under such program to pay for the provision of shelter in commercial or similar transient facilities.

Housing.
42 USC 11381
note.

SEC. 903. DEMONSTRATION PROJECTS TO REDUCE NUMBER OF HOMELESS AFDC FAMILIES IN WELFARE HOTELS.

(a) **IN GENERAL.**—In order to enable States to provide housing for homeless families who are recipients of aid to families with dependent children under a State plan approved under part A of title IV of the Social Security Act in transitional facilities instead of in commercial or similar transient facilities, at least 2 but not more than 3 States may undertake and carry out demonstration projects in accordance with this section. States may use public or private nonprofit agencies in carrying out demonstration projects in accordance with this section. Demonstration projects under this section shall meet such conditions and requirements as the Secretary of Health and Human Services (in this section referred to as the "Secretary") shall prescribe.

(b) **DUTIES OF SECRETARY OF HEALTH AND HUMAN SERVICES.**—The Secretary shall—

(1) consider all applications received from States desiring to conduct demonstration projects under this section;

(2) transmit to the Comptroller General for review under subsection (e) a copy of each such application received;

(3) approve at least 2 but not more than 3 applications involving projects which appear likely to contribute significantly to the achievement of the purpose of this section; and

(4) make grants from funds appropriated to carry out this section to each State whose application is so approved to carry out the project that is the subject of the application.

Grants.

(c) **PROJECT REQUIREMENTS.**—The Secretary shall not approve an application received from a State for a demonstration project under this section unless the State agency that administers the program of aid to families with dependent children in the State under a State plan approved under part A of title IV of the Social Security Act demonstrates that the project will—

(1) provide housing in transitional facilities only to homeless families who are recipients of aid to families with dependent children under the State plan and who reside in commercial or similar transient facilities;

(2) permanently reduce the number of rooms used to house homeless families who are recipients of such aid in commercial or similar transient facilities by the number of units made available in transitional facilities in accordance with paragraph (1); and

(3) provide that the Federal share of the total amount of cash assistance provided under the project to families residing in transitional facilities plus the total amount of grants made to the State under this section must be less than or equal to the

Federal share of the cost of housing such families in commercial or similar transient facilities (including payments made to cover basic needs and services of such families).

(d) **USE OF FUNDS.**—Each State that receives funds under this section shall use such funds to—

(1) rehabilitate or construct transitional facilities which are easily convertible to permanent housing when such facilities are no longer needed as transitional facilities; and

(2) provide on-site social services at such facilities.

Reports.

(e) **GAO REVIEW OF APPLICATIONS.**—Within 90 days after the Comptroller General receives from the Secretary a copy of an application submitted under this section, the Comptroller General shall review such application and report to the Committee on Finance of the Senate and the Committee on Ways and Means of the House of Representatives on whether the Federal share of the total amount of cash assistance to be provided under the project which is the subject of the application to families residing in transitional facilities plus the total amount of grants to be made to the State under this section is less than or equal to the Federal share of the cost of housing such families in commercial or similar transient facilities (including payments made to cover basic needs and services of such families).

(f) **AUTHORIZATION OF APPROPRIATIONS.**—For grants under this section, there is authorized to be appropriated to the Secretary for the fiscal year 1990 not to exceed \$20,000,000, which shall remain available until expended.

(g) **DEFINITIONS.**—As used in section 902 and this section:

(1) **HOMELESS FAMILY.**—The term “homeless family” means a dependent child or children and the relatives with whom such child or children are living, who—

(A) lack a fixed and regular nighttime address;

(B) have a primary residence that is a shelter designed for temporary accommodation, a hotel, or a motel; or

(C) are living in a place not designed for, or ordinarily used as, a regular sleeping accommodation.

(2) **COMMERCIAL OR SIMILAR TRANSIENT FACILITIES.**—The term “commercial or similar transient facilities” means transient accommodations in—

(A) a commercial hotel or motel operated by a privately owned for-profit entity; or

(B) a similar establishment which is not a transitional facility (whether or not directly operated or contracted for by the State or a political subdivision or by a not-for-profit organization authorized by the State or political subdivision to provide such accommodations).

(3) **TRANSITIONAL FACILITY.**—The term “transitional facility” means any facility operated by a State or local government or a nonprofit organization which, at a minimum—

(A) provides temporary and private sleeping accommodations, and temporary eating and cooking accommodations; and

(B) provides services to help families locate and retain permanent housing.

SEC. 904. PREVENTING FRAUD AND ABUSE IN HOUSING AND URBAN DEVELOPMENT PROGRAMS. 42 USC 3544.

(a) **DEFINITIONS.**—As used in this section:

(1) **SECRETARY.**—The term “Secretary” means the Secretary of Housing and Urban Development.

(2) **APPLICANT; PARTICIPANT.**—The terms “applicant” and “participant” shall have such meanings as the Secretary by regulation shall prescribe, except that such terms shall include members of an applicant’s or participant’s household, and such terms shall not include persons whose involvement is only in their official capacity, such as State or local government officials and officers of lending institutions.

(3) **PUBLIC HOUSING AGENCY.**—The term “public housing agency” means any agency described in section 3(b)(6) of the United States Housing Act of 1937.

(b) **APPLICANT AND PARTICIPANT CONSENT.**—As a condition of initial or continuing eligibility for participation in any program of the Department of Housing and Urban Development involving initial and periodic review of an applicant’s or participant’s income, and to assure that the level of benefits provided under the program is correct, the Secretary may require that an applicant or participant—

(1) sign a consent form approved by the Secretary authorizing the Secretary, the public housing agency, or the owner responsible for determining eligibility for or level of benefits to request current or previous employers to verify salary and wage information pertinent to the applicant’s or participant’s eligibility or level of benefits; and

(2) sign a consent form approved by the Secretary authorizing the Secretary or the public housing agency responsible for determining eligibility or level of benefits to request a State agency charged with the administration of the State unemployment law to release wage information with respect to such applicant or participant or information regarding whether such applicant or participant is receiving, has received, or has made application for, unemployment compensation, and the amount of any such compensation being received (or to be received) by such applicant or participant.

This consent form shall not be used to request taxpayer return information protected by section 6103 of the Internal Revenue Code of 1986.

(c) **ACCESS TO STATE EMPLOYMENT RECORDS.**—

(1) **AMENDMENTS TO SOCIAL SECURITY ACT.**—(A) Section 303 of the Social Security Act (42 U.S.C. 503) is amended by adding at the end the following new subsection:

“(i)(1) The State agency charged with the administration of the State law—

“(A) shall disclose, upon request and on a reimbursable basis, only to officers and employees of the Department of Housing and Urban Development and to representatives of a public housing agency, any of the following information contained in the records of such State agency with respect to individuals applying for or participating in any housing assistance program administered by the Department who have signed an appropriate consent form approved by the Secretary of Housing and Urban Development—

“(i) wage information, and

“(ii) whether an individual is receiving, has received, or has made application for, unemployment compensation,

and the amount of any such compensation being received (or to be received) by such individual, and

“(B) shall establish such safeguards as are necessary (as determined by the Secretary of Labor in regulations) to ensure that information disclosed under subparagraph (A) is used only for purposes of determining an individual’s eligibility for benefits, or the amount of benefits, under a housing assistance program of the Department of Housing and Urban Development.

“(2) The Secretary of Labor shall prescribe regulations governing how often and in what form information may be disclosed under paragraph (1)(A).

Regulations.

“(3) Whenever the Secretary of Labor, after reasonable notice and opportunity for hearing to the State agency charged with the administration of the State law, finds that there is a failure to comply substantially with the requirements of paragraph (1), the Secretary of Labor shall notify such State agency that further payments will not be made to the State until he or she is satisfied that there is no longer any such failure. Until the Secretary of Labor is so satisfied, he or she shall make no future certification to the Secretary of the Treasury with respect to such State.

“(4) For purposes of this subsection, the term ‘public housing agency’ means any agency described in section 3(b)(6) of the United States Housing Act of 1937.

“(5) The provisions of this subsection shall cease to be effective beginning on October 1, 1994.”

Termination date.

(B) Section 304(a)(2) of the Social Security Act (42 U.S.C. 504(a)(2)) is amended by striking “(e), or (h)” and inserting “(e), (h), or (i)”.

(2) **APPLICANT AND PARTICIPANT PROTECTIONS.**—(A) In order to protect applicants for, and recipients of, benefits under the programs of the Department of Housing and Urban Development from the improper use of information obtained pursuant to the requirements of section 303(i) of the Social Security Act from the State agency charged with the administration of the State unemployment compensation law, officers and employees of the Department of Housing and Urban Development and representatives of public housing agencies may only use such information—

(i) to verify an applicant’s or participant’s eligibility for or level of benefits; or

(ii) in the case of an owner responsible for determining eligibility for or level of benefits, to inform such owner that an applicant’s or participant’s eligibility for or level of benefits is uncertain and to request such owner to verify such applicant’s or participant’s income information.

(B) No Federal, State, or local agency, or public housing agency, or owner responsible for determining eligibility for or level of benefits receiving such information may terminate, deny, suspend, or reduce any benefits of an applicant or participant until such agency or owner has taken appropriate steps to independently verify information relating to—

(i) the amount of the wages or unemployment compensation involved,

(ii) whether such applicant or participant actually has (or had) access to such wages or benefits for his or her own use, and

(iii) the period or periods when, or with respect to which, the applicant or participant actually received such wages or benefits.

(C) Such applicant or participant shall be informed by the agency or owner of the findings made by the agency or owner on the basis of such verified information, and shall be given an opportunity to contest such findings, in the same manner as applies to other information and findings relating to eligibility factors under the program.

(3) PENALTY.—(A) Any person who knowingly and willfully requests or obtains any information concerning an applicant or participant pursuant to the authority contained in section 303(i) of the Social Security Act under false pretenses, or any person who knowingly and willfully discloses any such information in any manner to any individual not entitled under any law to receive it, shall be guilty of a misdemeanor and fined not more than \$5,000. The term "person" as used in this paragraph shall include an officer or employee of the Department of Housing and Urban Development, an officer or employee of any public housing agency, and any owner responsible for determining eligibility for or level of benefits (or employee thereof).

(B) Any applicant or participant affected by (i) a negligent or knowing disclosure of information referred to in this section or in section 303(i) of the Social Security Act about such person by an officer or employee of any public housing agency or owner (or employee thereof), which disclosure is not authorized by this section, such section 303(i), or any regulation implementing this section or such section 303(i), or (ii) any other negligent or knowing action that is inconsistent with this section, such section 303(i), or any such implementing regulation may bring a civil action for damages and such other relief as may be appropriate against any officer or employee of any public housing agency or owner (or employee thereof) responsible for any such unauthorized action. The district court of the United States in the district in which the affected applicant or participant resides, in which such unauthorized action occurred, or in which the applicant or participant alleged to be responsible for any such unauthorized action resides, shall have jurisdiction in such matters. Appropriate relief that may be ordered by such district courts shall include reasonable attorney's fees and other litigation costs.

(d) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as provided in paragraphs (2) and (3), the provisions of this section shall take effect on September 30, 1989.

(2) OPTIONAL EARLY IMPLEMENTATION.—At the initiative of a State or an agency of the State, and with the approval of the Secretary of Labor, the amendments made by subsection (c)(1) may be made effective in such State on any date before September 30, 1989, which is more than 90 days after the date of the enactment of this section.

(3) REQUIREMENTS FOR STATE AGENCIES.—In the case of any State the legislature of which has not been in session for at least 30 calendar days (whether or not consecutive) between the date of the enactment of this Act and September 30, 1989, the amendments made by subsection (c)(1) shall take effect 30 cal-

endar days after the first day on which such legislature is in session on or after September 30, 1989.

TITLE X—HOUSING AND COMMUNITY DEVELOPMENT TECHNICAL AMENDMENTS

Subtitle A—Housing Assistance

SEC. 1001. INCOME ELIGIBILITY FOR ASSISTED HOUSING.

(a) **IN GENERAL.**—Section 16(c) of the United States Housing Act of 1937 (42 U.S.C. 1437n(c)) is amended in the first sentence—

- (1) by striking “, and” and inserting a comma;
- (2) by striking “, as appropriate” and all that follows through “programs” and inserting the following: “an appropriate specific percentage of lower income families other than very-low income families that may be assisted in each assisted housing program”; and
- (3) by inserting before the period at the end the following: “, and shall prohibit project owners from selecting families for residence in an order different from the order on the waiting list for the purpose of selecting relatively higher income families for residence”.

(b) **CLARIFICATION.**—Section 6(c)(4)(A) of the United States Housing Act of 1937 (42 U.S.C. 1437d(c)(4)(A)) is amended by inserting before the semicolon at the end the following: “and shall not permit public housing agencies to select families for residence in an order different from the order on the waiting list for the purpose of selecting relatively higher income families for residence”.

SEC. 1002. PUBLIC HOUSING CHILD CARE GRANTS.

(a) **AVAILABILITY OF CHILD CARE SERVICES IN FACILITIES NEAR PUBLIC HOUSING.**—Subsections (a), (b), (c), and (e) of section 222 of the Housing and Urban-Rural Recovery Act of 1983 (12 U.S.C. 1701z-6 note) are amended by inserting “or near” after “child care services in” each place it appears.

(b) CONFORMING AMENDMENTS.—

(1) **ELIGIBILITY FOR ASSISTANCE.**—Section 222(b) of the Housing and Urban-Rural Recovery Act of 1983 (12 U.S.C. 1701z-6 note) is amended—

(A) by striking “in the project” each place it appears and inserting “for the project”; and

(B) in paragraph (2), by inserting “in or near the project” after “facilities”.

(2) **ALLOCATION OF ASSISTANCE.**—Section 222(c)(3) of the Housing and Urban-Rural Recovery Act of 1983 (12 U.S.C. 1701z-6 note) is amended by striking “established in” and inserting “established for”.

SEC. 1003. PUBLIC HOUSING RESIDENT MANAGEMENT.

Section 20 of the United States Housing Act of 1937 (42 U.S.C. 1437r) is amended by adding at the end the following new subsection:

(2) **SECRETARY.**—The term “Secretary” means the Secretary of Housing and Urban Development.

(e) **AUTHORIZATION.**—Funds available for housing covered by this section shall be available to carry out this section with respect to such housing.

Approved November 7, 1988.

LEGISLATIVE HISTORY—H.R. 4352 (S. 2554):

HOUSE REPORTS: No. 100-718, Pt. 1 (Comm. on Energy and Commerce), Pt. 2 (Comm. on Banking, Finance, and Urban Affairs), and Pt. 3 (Comm. on Ways and Means); and No. 100-1089 (Comm. of Conference).

SENATE REPORTS: No. 100-393 accompanying S. 2554 (Comm. on Banking, Housing, and Urban Affairs).

CONGRESSIONAL RECORD, Vol. 134 (1988):

Aug. 3, considered and passed House.

Sept. 28, considered and passed Senate, amended.

Oct. 19, House agreed to conference report.

Oct. 20, Senate agreed to conference report.

WEEKLY COMPILATION OF PRESIDENTIAL DOCUMENTS, Vol. 24 (1988):

Nov. 7, Presidential statement.

OMNIBUS MCKINNEY HOMELESS ASSISTANCE ACT OF 1988

JUNE 22, 1988.—Ordered to be printed

Mr. DINGELL, from the Committee on Energy and Commerce,
submitted the following

REPORT

together with

DISSENTING VIEWS

[To accompany H.R. 4352, which on March 31, 1988, was referred jointly to the Committee on Banking, Finance and Urban Affairs, the Committee on Energy and Commerce, the Committee on Ways and Means, the Committee on Education and Labor, the Committee on Veterans' Affairs, and the Committee on Agriculture]

[Including cost estimate of the Congressional Budget Office]

The Committee on Energy and Commerce, to whom was referred the bill (H.R. 4352) to amend the Stewart B. McKinney Homeless Assistance Act to extend programs providing urgently needed assistance for the homeless, and for other purposes, having considered the same, report favorably thereon with amendments and recommends that the bill as amended do pass.

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REGULATIONS

SEC. 210. (a) * * *

* * * * *

(c) With respect to the commodity distribution program under this Act in effect during the period *ending on the date specified in section 212*, the Secretary shall, not later than October 1, 1983, publish in the Federal Register an estimate of the types and quantities of commodities that the Secretary anticipates are likely to be made available during the first twelve months of the program; and, as early as feasible but not later than the beginning of the fiscal year ending September 30, [1988], 1990, the Secretary shall publish in the Federal Register an estimate of the types and quantities of commodities that the Secretary anticipates are likely to be made available during the such fiscal year months of the program under this Act: *Provided*, that the actual types and quantities of commodities made available by the Secretary under this Act may differ from the estimates.

* * * * *

PROGRAM TERMINATION

SEC. 212. Except for section 207, this Act shall terminate on September 30, [1988] 1990.

SOCIAL SECURITY ACT

* * * * *

TITLE IV—GRANTS TO STATES FOR AID AND SERVICES TO NEEDY FAMILIES WITH CHILDREN AND FOR CHILD-WELFARE SERVICES

* * * * *

PART A—AID TO FAMILIES WITH DEPENDENT CHILDREN

* * * * *

STATE PLANS FOR AID AND SERVICES TO NEEDY FAMILIES WITH CHILDREN

SEC. 402. (a) * * *

* * * * *

(g)(1) *The State plan approved under subsection (a) must describe the special need items that will be recognized for inclusion in the State's standard of need and the circumstances under which they will be so included, and must provide that such items will be considered for all applicants and recipients requiring them.*

(2) *Nothing in this title or in regulations prescribed under this title shall prevent a State from including in its standard of need with respect to applicants for or recipients of aid under the State plan (either as a basic or special need) an amount for shelter and related needs that varies according to geographic location, family circumstances, or the type of living accommodation occupied.*

PAYMENT TO STATES

SEC. 403. (a) * * *

* * * * *

(k)(1) *Notwithstanding any other provision of this Act, the amount payable to any State under this part for any quarter may be reduced, in accordance with regulations prescribed by the Secretary, by an amount equal to the Federal share of any of the expenditures involved which represent—*

(A) payments of emergency assistance for shelter in the form of commercial or similar transient accommodations, or

(B) payments of aid to families with dependent children to meet special needs for shelter in the form of commercial or similar transient accommodations,
if and to the extent that the Secretary finds (in accordance with such regulations) that substantial progress is not being made by the jurisdiction or jurisdictions in which such accommodations are located toward reducing the number of homeless AFDC families residing in commercial or similar transient accommodations.

(2) As used in paragraph (1), the term "commercial or similar transient accommodations" means transient accommodations in (A) a commercial hotel or motel, operated by a privately owned for-profit entity, or (B) a similar establishment not directly operated or contracted for by the State or a political subdivision or by a not-for-profit organization authorized by the State or political subdivision to provide such accommodations.

* * * * *

DEFINITIONS

SEC. 406. When used in this part—

(a) * * *

* * * * *

(e)(1) The term "emergency assistance to needy families with children" means any of the following, furnished for a period not in excess of 30 days in any 12-month period, *or authorized during one period of 30 consecutive days in any 12 consecutive months (including payments to meet needs which arose before such 30-day period or are for such needs as rent which extend beyond such 30-day period)*, in the case of a needy child under the age of 21 who is (or, within such period as may be specified by the Secretary, has been) living with any of the relatives specified in subsection (a)(1) in a place of residence maintained by one or more of such relatives as his or their own home, but only where such child is without available resources, the payments, care, or services involved are necessary to avoid destitution of such child or to provide living arrangements in a home for such child, and such destitution or need for living arrangements did not arise because such child or relative refused without good cause to accept employment or training for employment—

(A) money payments, payments in kind, or such other payments as the State agency may specify with respect to, or medical care or any other type of remedial care recognized under

State law (for which such individual is not entitled to medical assistance under the State plan under title XIX) on behalf of, such child or any other member of the household in which he is living, and

(B) such services as may be specified by the Secretary; but only with respect to a State whose State plan approved under section 402 includes provision for such assistance.

(2) Emergency assistance as authorized under paragraph (1) may be provided under the conditions specified in such paragraph to migrant workers with families in the State or in such part or parts thereof as the State shall designate.

(3) Each State must specify in its State plan approved under section 402 the eligibility conditions imposed for the receipt of emergency assistance under this subsection, and must have a reasonable method of determining the value of goods in kind or services provided for such assistance; but nothing in this title or in regulations prescribed under this title shall be deemed to require a State to include in its State plan (or otherwise specify) the maximum amount of assistance which may be provided under this subsection for any type of emergency need.

* * * * *

OMNIBUS MCKINNEY HOMELESS ASSISTANCE ACT OF 1988

JUNE 29, 1988.—Ordered to be printed

Mr. ST GERMAIN, from the Committee on Banking, Finance and
Urban Affairs, submitted the following

REPORT

together with

ADDITIONAL VIEWS

[To accompany H.R. 4352 which on March 31, 1988, was referred jointly to the Committee on Banking, Finance and Urban Affairs, the Committee on Energy and Commerce, the Committee on Ways and Means, the Committee on Education and Labor, the Committee on Veterans' Affairs, and the Committee on Agriculture]

[Including cost estimate of the Congressional Budget Office]

The Committee on Banking, Finance and Urban Affairs, to whom was referred the bill (H.R. 4352), to amend the Stewart B. McKinney Homeless Assistance Act to extend programs providing urgently needed assistance for the homeless, and for other purposes, having considered the same, report favorably thereon with amendments and recommend that the bill as amended do pass.

The amendments (stated in terms of the page and line numbers of the introduced bill) are as follows:

Page 2, in the table of contents, strike the item relating to section 1 and all that follows through the item relating to section 501 and insert the following new items:

Sec. 1. Short title and table of contents.

TITLE I—GENERAL PROVISIONS

Sec. 101. Budget compliance.

Sec. 102. Audits of housing and shelter programs by Comptroller General.

TITLE II—INTERAGENCY COUNCIL ON THE HOMELESS

Sec. 201. Functions.

Sec. 202. Authorization of appropriations.

documentation; costs involved in publishing announcements of times and locations of distribution; and costs of recordkeeping, auditing, and other administrative procedures required for participation in the program under this title. If a State makes a payment, using State funds, to cover direct expenses of emergency feeding organizations, the amount of such payment shall be counted toward the amount a State must make available for direct expenses of emergency feeding organizations under this paragraph.

* * * * *

SEC. 210. (a) * * *

* * * * *

(c) With respect to the commodity distribution program under this Act in effect during the period the date specified in section 212, the Secretary shall, not later than October 1, 1983, publish in the Federal Register an estimate of the types and quantities of commodities that the Secretary anticipates are likely to be made available during the first twelve months of the program; and, as early as feasible but not later than the beginning of the fiscal year [ending September 30, 1988] 1990, the Secretary shall publish in the Federal Register an estimate of the types and quantities of commodities that the Secretary anticipates are likely to be made available during the such fiscal year months of the program under this Act: *Provided*, that the actual types and quantities of commodities made available by the Secretary under this Act may differ from the estimates.

* * * * *

PROGRAM TERMINATION

SEC. 212. Except for section 207, this Act shall terminate on September 30, [1988] 1990.

SOCIAL SECURITY ACT

* * * * *

TITLE IV—GRANTS TO STATES FOR AID AND SERVICES TO NEEDY FAMILIES WITH CHILDREN AND FOR CHILD-WELFARE SERVICES

* * * * *

PART A—AID TO FAMILIES WITH DEPENDENT CHILDREN

* * * * *

STATE PLANS FOR AID AND SERVICES TO NEEDY FAMILIES WITH CHILDREN

SEC. 402. (a) * * *

* * * * *

(g)(1) *The State plan approved under subsection (a) must describe the special need items that will be recognized for inclusion in the State's standard of need and the circumstances under which they*

will be so included, and must provide that such items will be considered for all applicants and recipients requiring them.

(2) Nothing in this title or in regulations prescribed under this title shall prevent a State from including in its standard of need with respect to applicants for or recipients of aid under the State plan (either as a basic or special need) an amount for shelter and related needs that varies according to geographic location, family circumstances, or the type of living accommodation occupied.

PAYMENT TO STATES

SEC. 403. (a) * * *

* * * * *

(k)(1) Notwithstanding any other provision of this Act, the amount payable to any State under this part for any quarter may be reduced, in accordance with regulations prescribed by the Secretary, by an amount equal to the Federal share of any of the expenditures involved which represent—

(A) payments of emergency assistance for shelter in the form of commercial or similar transient accommodations, or

(B) payments of aid to families with dependent children to meet special needs for shelter in the form of commercial or similar transient accommodations,

if and to the extent that the Secretary finds (in accordance with such regulations) that substantial progress is not being made by the jurisdiction or jurisdictions in which such accommodations are located toward reducing the number of homeless AFDC families residing in commercial or similar transient accommodations.

(2) As used in paragraph (1), the term "commercial or similar transient accommodations" means transient accommodations in (A) a commercial hotel or motel, operated by a privately owned for-profit entity, or (B) a similar establishment not directly operated or contracted for by the State or a political subdivision or by a not-for-profit organization authorized by the State or political subdivision to provide such accommodations.

* * * * *

DEFINITIONS

SEC. 406. When used in this part—

(a) * * *

* * * * *

(e)(1) The term "emergency assistance to needy families' with children" means any of the following, furnished for a period not in excess of 30 days in any 12-month period, or authorized during one period of 30 consecutive days in any 12 consecutive months (including payments to meet needs which arose before such 30-day period or are for such needs as rent which extend beyond such 30-day period), in the case of a needy child under the age of 21 who is (or, within such period as may be specified by the Secretary, has been) living with any of the relatives specified in subsection (a)(1) in a place of residence maintained by one or more of such relatives as his or their own home, but only where such child is without available re-

sources, the payments, care, or services involved are necessary to avoid destitution of such child or to provide living arrangements in a home for such child, and such destitution or need for living arrangements did not arise because such child or relative refused without good cause to accept employment or training for employment—

(A) money payments, payments in kind, or such other payments as the State agency may specify with respect to, or medical care or any other type of remedial care recognized under State law (for which such individual is not entitled to medical assistance under the State plan under title XIX) on behalf of, such child or any other member of the household in which he is living, and

(B) such services as may be specified by the Secretary; but only with respect to a State whose State plan approved under section 402 includes provision for such assistance.

(2) Emergency assistance as authorized under paragraph (1) may be provided under the conditions specified in such paragraph to migrant workers with families in the State or in such part or parts thereof as the State shall designate.

(3) *Each State must specify in its State plan approved under section 402 the eligibility conditions imposed for the receipt of emergency assistance under this subsection, and must have a reasonable method of determining the value of goods in kind or services provided for such assistance; but nothing in this title or in regulations prescribed under this title shall be deemed to require a State to include in its State plan (or otherwise specify) the maximum amount of assistance which may be provided under this subsection for any type of emergency need.*

* * * * *

THE UNITED STATES HOUSING ACT OF 1937

* * * * *

LOWER INCOME HOUSING ASSISTANCE

SEC. 8. (a) * * *

* * * * *

(c)(1) * * *

(2)(A) * * *

* * * * *

(C) Adjustments in the maximum rents [as hereinbefore provided] under subparagraphs (A) and (B) shall not result in material differences between the rents charged for assisted units and unassisted units of similar quality and age in the same market area, as determined by the Secretary. If the Secretary or appropriate State agency does not complete and submit to the project owner a comparability study not later than 60 days before the anniversary date of the assistance contract under this section, the automatic annual adjustment factor shall be applied. [The Secretary may not reduce the contract rents in effect on or after April 15, 1987, for newly constructed, substantially rehabilitated, or moderately rehabilitat-

OMNIBUS MCKINNEY HOMELESS ASSISTANCE ACT OF 1988

JULY 28, 1988.—Ordered to be printed

Mr. ROSTENKOWSKI, from the Committee on Ways and Means,
submitted the following

REPORT

[To accompany H.R. 4352 which on March 31, 1988, was referred jointly to the Committee on Banking, Finance and Urban Affairs, the Committee on Energy and Commerce, the Committee on Ways and Means, the Committee on Education and Labor, the Committee on Veterans' Affairs, and the Committee on Agriculture]

[Including cost estimate of the Congressional Budget Office]

The Committee on Ways and Means, to whom was referred the bill (H.R. 4352) to amend the Stewart B. McKinney Homeless Assistance Act to extend programs providing urgently needed assistance for the homeless, and for other purposes, having considered the same, report favorably thereon with an amendment and recommend that the bill as amended do pass.

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The amendment (stated in terms of the page and line numbers of the introduced bill) is as follows:

Page 22, strike line 11 and all that follows through line 21 on page 29 and insert the following:

TITLE X—AID TO FAMILIES WITH DEPENDENT CHILDREN

SEC. 1001. EXTENSION OF PROHIBITION AGAINST IMPLEMENTATION OF CERTAIN PROPOSED REGULATIONS.

Section 9118 of the Omnibus Budget Reconciliation Act of 1987 is amended by striking "October 1, 1988" and inserting "September 30, 1989"

SEC. 1002. REVIEW OF POLICY GOVERNING USE OF AFDC FUNDS TO MEET EMERGENCY NEEDS OF FAMILIES ELIGIBLE FOR AFDC THROUGH EMERGENCY ASSISTANCE OR SPECIAL NEEDS PAYMENTS; REPORT TO CONGRESS.

(a) **REVIEW OF POLICY.**—The Secretary of Health and Human Services shall review the policies in effect, as of the date of the enactment of this section, with respect to the use by States of amounts paid to such States under the program of aid to families with dependent children under part A of title IV of the Social Security Act (42 U.S.C. 601 et seq.), in the form of payments of aid to meet special needs or emergency assistance under section 406(e) of such Act (42 U.S.C. 606(e)) to meet emergency needs of families who are eligible for such aid.

(b) **REPORT TO CONGRESS.**—Not later than April 1, 1989, the Secretary of Health and Human Services shall submit to the Congress a report containing recommendations for legislative and regulatory changes designed to—

- (1) improve the ability of the program of aid to families with dependent children under part A of title IV of the Social Security Act (42 U.S.C. 601 et seq.) to respond to emergency needs of families who are eligible for such aid; and
- (2) eliminate the use of funds provided to States under such program to pay for the provision of shelter in commercial or similar transient facilities.

SEC. 1003. DEMONSTRATION PROJECTS TO REDUCE NUMBER OF HOMELESS AFDC FAMILIES IN WELFARE HOTELS AND EXPAND USE OF TRANSITIONAL FACILITIES TO HOUSE SUCH FAMILIES.

(a) **IN GENERAL.**—In order to encourage States and political subdivisions of States to house homeless families who are recipients of aid to families with dependent children under a State plan approved under part A of title IV of the Social Security Act (42 U.S.C. 601 et seq.) in transitional facilities instead of in commercial or similar transient facilities, up to 5 States and political subdivisions of States may undertake and carry out demonstration projects in accordance with this section. Demonstration projects under this section shall meet such conditions and requirements as the Secretary shall prescribe. The Secretary shall consider all applications received from States and political subdivisions of States desiring to conduct demonstration projects under this section and shall approve up to 5 applications involving projects which appear likely to contribute significantly to the achievement of the purpose of this section.

(b) **PROJECT REQUIREMENTS.**—A demonstration project under this section must provide that the State or political subdivision of the State will—

- (1) make transitional facilities available to homeless families who are recipients of aid to families with dependent children under a State plan approved under part A of title IV of the Social Security Act (42 U.S.C. 601 et seq.) and who reside in commercial or similar transient facilities;
- (2) permanently reduce the number of rooms used to house homeless families who are recipients of such aid in commercial or similar transient facilities by the number of units made available in transitional facilities in accordance with paragraph (1); and
- (3) make a transitional facility available in accordance with paragraph (1) for any fiscal year beginning on or after October 1, 1988, only if the cost of providing shelter and services in such facility for such fiscal year does not exceed the cost of providing shelter and services in commercial or similar transient facilities for such fiscal year.

(c) **FUNDING.**—

- (1) **IN GENERAL.**—Notwithstanding part A of title IV of the Social Security Act (42 U.S.C. 601 et seq.) and the regulations promulgated thereunder, any amount expended by any State, during the 5-year period beginning October 1, 1988, to pay the operating costs (including debt service costs) of transitional facilities used to carry out a project which meets the requirements of subsection (b) and an application for which has been approved by the Secretary of Health and

Human Services shall constitute an expenditure subject to Federal reimbursement under paragraph (1) or (2) of section 403(a) of such Act, whichever is applicable.

(2) **PROJECTS TO RESULT IN ZERO NET COST TO THE FEDERAL GOVERNMENT.**—The aggregate of the amounts to be provided by the Federal Government for demonstration projects under this section shall not exceed the aggregate of the amounts which would have been provided by the Federal Government, in the absence of such projects, to house homeless families who are recipients of aid to families with dependent children under a State plan approved under part A of title IV of the Social Security Act (42 U.S.C. 601 et seq.) in commercial or similar transient facilities.

(d) **DEFINITIONS.**—As used in this title—

(1) the term “homeless family” means a dependent child or children and the relatives with whom such child or children are living, who—

(A) lack a fixed and regular nighttime address,

(B) have a primary residence that is a shelter designed for temporary accommodation, a hotel, or a motel, or

(C) are living in a place not designed for, or ordinarily used as, a regular sleeping accommodation;

(2) the term “commercial or similar transient facilities” means transient accommodations in—

(A) a commercial hotel or motel operated by a privately owned for-profit entity, or

(B) a similar establishment which is not a transitional facility (whether or not directly operated or contracted for by the State or a political subdivision or by a not-for-profit organization authorized by the State or political subdivision to provide such accommodations); and

(3) the term “transitional facility” means any facility operated by a State or local government or a nonprofit organization which, at a minimum—

(A) provides temporary and private sleeping accommodations, and temporary eating and cooking accommodations; and

(B) provides services to help families locate and retain permanent housing.

I. INTRODUCTION

A. PURPOSE AND SCOPE OF THE BILL

The Omnibus McKinney Homeless Assistance Act of 1988, H.R. 4352, was referred jointly to the Committee on Banking, Finance and Urban Affairs, the Committee on Energy and Commerce, the Committee on Education and Labor, the Committee on Veterans' Affairs, the Committee on Agriculture, and the Committee on Ways and Means. Under the rules of the House of Representatives, the Committee on Ways and Means has jurisdiction over Title X of H.R. 4352.

Title X of H.R. 4352 contains provisions relating to homeless families under the Aid to Families with Dependent Children (AFDC) program.

First, it would require a State AFDC plan to describe “special need” items that will be included in the State's standard of need and the circumstances under which they would be included.

Second, it would permit a State to include in its need standard an amount for shelter and related needs that varies according to geographic location, family circumstances, or the type of living accommodation occupied.

Third, it would amend the AFDC statute to include the language of current regulations regarding the availability of emergency assistance. This would permit emergency assistance to be furnished or authorized for a period not in excess of 30 days in any period of 12 consecutive months, including payments to meet needs which

arose before such 30-day period or such needs as rent which extend beyond the 30-day period.

Fourth, it would require the State AFDC plan to specify eligibility conditions for the receipt of emergency assistance. This would require the State to have a reasonable method for determining the value of in-kind goods or services provided under such assistance, but it would not require the State to identify in the State AFDC plan the maximum assistance which may be provided for any type of emergency.

Fifth, it would permit the Secretary to reduce Federal funds otherwise payable to a State for emergency shelter in commercial or similar transient accommodations if the Secretary finds, in accordance with regulations, that substantial progress is not being made to reduce the number of homeless AFDC families residing in such accommodations.

Sixth, it would authorize a demonstration program for the purpose of encouraging landlords to make permanent dwelling units available to needy families that might otherwise require emergency assistance or special needs payments for shelter in the form of commercial or similar transient accommodations. Demonstration projects would be limited to States which provide for emergency shelter as a special need. Any State which spent funds for this purpose before the authorization of the demonstration projects would not be required to repay any part of these payments if the State establishes and conducts a demonstration project.

The Committee on Ways and Means struck Title X and inserted a new Title X. The purpose of the new Title X is to allow the Secretary time to review current policy toward the use of AFDC emergency needs funds and to recommend statutory and regulatory changes. The recommended changes would be designed to improve the ability of the AFDC program to respond to emergency needs of AFDC-eligible families and to eliminate the use of AFDC funds for shelter costs in "welfare hotels." In addition, Title X is intended to test whether expanding the availability of transitional housing would reduce the number of families living in welfare hotels.

B. BACKGROUND AND NEED FOR LEGISLATION

In the 1980s, the number of homeless families has been increasing. Although researchers have found the majority of homeless persons are single, reports indicate that an increasing share of the homeless population is composed of children. At the same time, the Federal government has been cutting back its long-term commitments to aid families with children through low-income housing subsidies. Although virtually all AFDC families qualify for housing assistance from the Department of Housing and Urban Development, only about 20 percent of AFDC families received such aid in 1986.

In response to the rising need for housing assistance to families with children, some States and localities have increased spending under the AFDC program for this purpose. This increased assistance has been made available through the Emergency Assistance Program and the special needs component of the AFDC program.

The Emergency Assistance to Needy Families with Dependent Children program was enacted under the Social Security Amendments of 1967 (P.L. 90-248). It permits States to furnish emergency assistance to needy families with children for a period not to exceed 30 days in any period of 12 consecutive months. The assistance is intended to help children avoid destitution or to provide them living arrangements. The Federal government pays 50 percent of the cost.

The Social Security Act authorizes the AFDC program for needy children and their caretakers, but it does not define the standard of need, nor does it mention special needs. Federal regulations require States to specify their standards of need and if States include special needs in their standards, they must describe them.

"Special needs" are usually defined as needs recognized by a State as essential for some persons, but not all persons. As a result, special needs are determined on an individual basis. Fourteen States consider the loss of shelter as a special need, and they factor it into the total "need standard" that they use to determine AFDC eligibility and benefit amounts for families with such special needs. The Federal government pays between 50 percent and 79.65 percent of these costs, with the Federal share being inversely proportional to State per capita income. The Federal government pays about 54 percent of total AFDC benefit costs.

During the last few years, some States have been using funds from the Emergency Assistance Program and the special needs category under AFDC to house homeless families in hotels. In addition, some States have been using Emergency Assistance funds for expenses covering more than 30 days. Recently, unsafe and squalid conditions have been reported in "welfare hotels" costing more than \$1,000 per month for an average of 13 months. Although data are lacking on the extent of this problem, the Subcommittee on Public Assistance and Unemployment Compensation of the Committee on Ways and Means heard testimony on these conditions at its field hearing on the use of AFDC funds for homeless families in New York City on March 28, 1988.

On December 14, 1987, the Department of Health and Human Services published a proposed rule in the Federal Register asserting a 30-day limit on Emergency Assistance expenditures and restricting the use of the special needs category under AFDC for housing expenses. Congress reacted by passing a moratorium on these regulations on December 22, 1987 under the Omnibus Budget Reconciliation Act of 1987 (P.L. 100-203). This moratorium expires on October 1, 1988.

C. SUMMARY OF PRINCIPAL PROVISIONS

Title X, as amended by the Committee on Ways and Means, has four main provisions.

First, it would extend through September 30, 1989 the prohibition on implementation of regulations proposed by the Secretary on December 14, 1987 with regard to the use of AFDC funds to meet the emergency needs of AFDC families either through emergency assistance or special needs payments.

Second, it would require the Secretary to review current policy with regard to the use of AFDC funds to meet the emergency needs of AFDC families either through emergency needs assistance or special needs payments.

Third, it would require the Secretary to submit a report to Congress by April 1, 1989. The report would include recommendations for statutory and regulatory changes designed to: (1) improve the ability of the AFDC program to respond to emergency needs of AFDC eligible families; and (2) eliminate the use of AFDC funds for shelter costs in welfare hotels.

Fourth, it would authorize 5 State and local demonstration projects designed to reduce the number of families in welfare hotels and to expand the availability of transitional housing. This authority aims to encourage the development of transitional facilities similar to HELP I in East New York, New York, which the Subcommittee on Public Assistance and Unemployment Compensation of the Committee on Ways and Means visited during its field hearing on the housing problems of the homeless.

Under the demonstrations, a State or locality would be permitted to use AFDC funds to pay operating costs, including debt service costs, of transitional facilities for homeless AFDC families. The normal AFDC Federal matching rate would apply. In order to have a demonstration project, a State or locality would be required to demonstrate to the Secretary that it could meet certain conditions specified in this provision.

II. DETAILED EXPLANATION OF PROVISIONS

PRESENT LAW

The Omnibus Budget Reconciliation Act of 1987 (P.L. 100-203), prohibits the Secretary of Health and Human Services, prior to October 1, 1988, from taking any action that would have the effect of implementing, in whole or in part, the proposed regulations published in the Federal Register on December 14, 1987. These regulations would have restricted the use of AFDC emergency assistance funds for homeless families and would have limited States' authority to use AFDC funds for shelter in temporary quarters, whether as a basic or special need.

Under present law, States may operate an emergency assistance program for needy families with children, if the assistance is necessary to avoid the destitution of the child, or to provide living arrangements in a home for the child. The statute authorizes 50 percent Federal matching funds for emergency assistance furnished for a period not in excess of 30 days in any 12-month period. Current regulations state that Federal matching is available for emergency assistance authorized by the State during one period of 30 consecutive days in any 12 consecutive months, including payments which are to meet needs which arose before the 30-day period, or are for such needs as rent which extend beyond the 30-day period.

AFDC regulations also allow States to include, in their State standards of need, provision for meeting "special needs" of AFDC applicants and recipients. The State plan must specify the circumstances under which payments will be made for special needs. Some States use AFDC emergency assistance and/or special needs

funds to provide assistance to homeless families, including shelter in so-called "welfare hotels."

EXPLANATION OF PROVISION

Strike all of the provisions included in title X of H.R. 4352 as introduced and insert a new title X which:

1. Extends, through September 30, 1989, the prohibition on implementation of the regulations proposed by the Secretary of Health and Human Services on December 14, 1987.

2. Requires the Secretary of Health and Human Services to review current policy with respect to the use of AFDC funds in the form of emergency assistance or special needs payments to meet emergency needs of AFDC eligible families.

3. Requires the Secretary of Health and Human Services to submit a report to Congress by April 1, 1989. The report would include recommendations for statutory and regulatory changes designed to: (1) improve the ability of the AFDC program to respond to emergency needs of AFDC eligible families; and (2) eliminate the use of AFDC funds for shelter costs in so-called "welfare hotels."

4. Authorizes 5 State or local demonstration projects designed to reduce the number of families in welfare hotels and expand the availability of transitional housing. This demonstration authority is designed to encourage the development of transitional facilities similar to HELP I in East New York, New York which the Subcommittee visited during its field hearing.

Under the demonstration, a State or locality would be permitted to use AFDC funds to pay the operating costs (including debt service) or transitional facilities for homeless AFDC families. The normal AFDC match would apply. In order to participate in the demonstration, the State or locality must demonstrate to the Secretary of Health and Human Services that:

For each transitional facility that is made available, the State or locality will permanently discontinue using an equal number of welfare hotel rooms currently used to house homeless AFDC families.

The transitional facility can provide shelter and services to a homeless AFDC family at the same or less cost than a welfare hotel and that there will be no net cost to the Federal government in fiscal year 1989 or any subsequent fiscal year.

The term welfare hotel would be defined as a commercial or similar transient facility offering accommodations in a commercial hotel or motel operated by a privately owned for profit entity, or any similar establishment that does not meet the definition of transitional facility. The term transitional facility would be defined as a facility operated by a State, locality or non-profit organization which at least provides temporary and private sleeping accommodations, temporary eating and cooking accommodations, and services to help families locate and retain permanent housing.

The demonstration would extend for five years, beginning in fiscal year 1989.

III. BUDGET EFFECTS OF THE BILL

A. COMMITTEE ESTIMATES

In compliance with clause 7(a) of Rule XIII of the Rules of the House of Representatives, the following statement is made:

The Committee agrees with the estimates prepared by the Congressional Budget Office (CBO) which is included below.

B. STATEMENT REGARDING NEW BUDGET AUTHORITY AND TAX EXPENDITURES

In compliance with clause 2(1)(3)(B) of Rule XI of the House of Representatives, the Committee states that the letter from the Congressional Budget Office indicates that there is a change in budget authority and that there are no new or increased tax expenditures as a result of the bill.

C. COST ESTIMATE PREPARED BY THE CONGRESSIONAL BUDGET OFFICE

In compliance with clause 2(1)(3)(C) of Rule XI of the Rules of the House of Representatives requiring a cost estimate prepared by the Congressional Budget Office, the following report prepared by CBO is provided.

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, July 28, 1988.

Hon. DAN ROSTENKOWSKI,
Chairman, Committee on Ways and Means, U.S. House of Representatives, Washington, DC.

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the attached cost estimate for Amendments to H.R. 4352, the Omnibus McKinney Homeless Assistance Act of 1988, as ordered reported by the House Committee on Ways and Means on July 27, 1988.

If you wish further details on this estimate, we will be pleased to provide them.

Sincerely,

JAMES L. BLUM, *Acting Director.*

CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

1. Bill number: Amendments to H.R. 4352.
2. Bill title: Omnibus McKinney Homeless Assistance Act of 1988.
3. Bill status: As ordered reported by the House Committee on Ways and Means on July 27, 1988.
4. Bill purpose: To amend the Stewart B. McKinney Homeless Assistance Act to extend programs providing assistance for the homeless, and for other purposes.
5. Estimated cost to the Federal Government:

[By fiscal years, in millions of dollars]

	1989	1990	1991	1992	1993
Section 1001	0				
Section 1002	(¹)				
Section 1003	0	0	0	0	0
Bill total—Required Budget Authority/Authorization Level	(¹)	0	0	0	0
Estimated Outlays	(¹)	0	0	0	0

¹ Less than \$500,000.

The costs of this bill would fall within budget function 600.

Basis of Estimate: These amendments would substitute for Title X of H.R. 4352.

Section 1001 would extend through September 30, 1989 the prohibition on implementation of the regulations proposed by the Secretary of Health and Human Services in December 1987, dealing with emergency assistance and special needs in the Aid to Families with Dependent Children (AFDC) program. Since these regulations have not been issued in final form, the CBO baseline does not assume the regulations. Extending the prohibition on implementation of the regulations, therefore, has no cost or savings effect when measured against the CBO baseline. If the regulations were in place, however, retracting these regulations would result in a significant cost to the federal government.

Section 1002 would require the Secretary of Health and Human Services to review current policies concerning funding of emergency assistance and special needs under AFDC. The Secretary would have to submit a report to Congress no later than April 1, 1989. These requirements are estimated to cost less than \$500,000 in fiscal year 1989.

Section 1003 would require the Secretary to approve up to five demonstration projects dealing with the substitution of transitional facilities for welfare hotels to house AFDC homeless. The amendment language requires these projects to result in zero net cost to the federal government.

6. Estimated cost to State and local government: None.

7. Estimate comparison: None.

8. Previous CBO estimate: None.

9. Estimate prepared by: Jan Peskin.

10. Estimate approved by: James L. Blum, Acting Director.

IV. OTHER MATTERS REQUIRED TO BE DISCUSSED UNDER THE RULES OF THE HOUSE

A. VOTE OF THE COMMITTEE IN REPORTING THE BILL

In compliance with clause 2(1)(2)(B) of Rule XI of the Rules of the House of Representatives, the following statement is made: the bill, H.R. 4352, was ordered favorably to the House of Representatives on July 27, 1988 by voice vote.

B. OVERSIGHT FINDINGS AND RECOMMENDATIONS

In compliance with clause 2(1)(3)(A), of the Rule XI of the Rules of the House of Representatives, the Committee reports that the need for this legislation was confirmed by the oversight hearing of

ities made available by the Secretary under this Act may differ from the estimates.

* * * * *

PROGRAM TERMINATION

SEC. 212. Except for section 207, this Act shall terminate on September 30, **[1988]** *1990*.

SECTION 9118 OF THE OMNIBUS BUDGET RECONCILIATION ACT OF 1987

SEC. 9118. ASSISTANCE TO HOMELESS AFDC FAMILIES.

The Secretary of Health and Human Services may not take any action, prior to **[October 1, 1988]** *September 30, 1989* that would have the effect of implementing in whole or in part the proposed regulation published in the Federal Register on December 14, 1987, with respect to emergency assistance and the need for an amount of assistance under the program of aid to families with dependent children, or that would change current policy with respect to any of the matters addressed in such proposed regulation.

○

100TH CONGRESS }
2d Session

SENATE

{ REPORT
100-393

THE STEWART B. McKINNEY HOMELESS
ASSISTANCE AMENDMENTS OF 1988

R E P O R T

OF THE

COMMITTEE ON BANKING, HOUSING,
AND URBAN AFFAIRS
UNITED STATES SENATE

TO ACCOMPANY

S. 2554



JUNE 22, 1988.—Ordered to be printed

U.S. GOVERNMENT PRINTING OFFICE
WASHINGTON : 1988

No material regarding Social Security in this report.

STEWART B. MCKINNEY HOMELESS ASSISTANCE AMENDMENTS ACT OF 1988

OCTOBER 13, 1988.—Ordered to be printed

Mr. ST GERMAIN, from the committee of conference,
submitted the following

CONFERENCE REPORT

[To accompany H.R. 4352]

The committee of conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H.R. 4352) to amend the Stewart B. McKinney Homeless Assistance Act to extend programs providing urgently needed assistance for the homeless, and for other purposes, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the House recede from its disagreement to the amendment of the Senate and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

SECTION 1. SHORT TITLE AND TABLE OF CONTENTS.

(a) **SHORT TITLE.**—*This Act may be cited as the "Stewart B. McKinney Homeless Assistance Amendments Act of 1988".*

(b) **TABLE OF CONTENTS.**—

Sec. 1. Short title and table of contents.

TITLE I—GENERAL PROVISIONS

Sec. 101. Budget compliance.

Sec. 102. Annual program summary by Comptroller General.

TITLE II—INTERAGENCY COUNCIL ON THE HOMELESS

Sec. 201. Preparation of bimonthly bulletin.

Sec. 202. Provision of professional and technical assistance.

Sec. 203. Establishment of program timetables.

Sec. 204. Authorization of appropriations.

Sec. 205. Extension of Interagency Council.

Sec. 206. Encouragement of State involvement.

TITLE III—FEDERAL EMERGENCY MANAGEMENT FOOD AND SHELTER PROGRAM

- Sec. 301. Report on emergency food and shelter grant program.*
- Sec. 302. Authorization of appropriations.*

TITLE IV—HOUSING ASSISTANCE

Subtitle A—Comprehensive Homeless Assistance Plan

- Sec. 401. Submission of comprehensive plan.*
- Sec. 402. Contents of comprehensive plan.*
- Sec. 403. Performance reviews.*
- Sec. 404. Coordination.*

Subtitle B—Emergency Shelter Grants

- Sec. 421. Distribution of assistance by States to private nonprofit organizations.*
- Sec. 422. Essential services.*
- Sec. 423. Homelessness prevention as an eligible activity.*
- Sec. 424. Required use of building as shelter.*
- Sec. 425. Authorization of appropriations.*

Subtitle C—Supportive Housing

- Sec. 441. Availability of operating and technical assistance for new structures.*
- Sec. 442. Project sponsor.*
- Sec. 443. Maximum period of residence in transitional housing.*
- Sec. 444. Definition of permanent housing.*
- Sec. 445. Use of advances to repay debt.*
- Sec. 446. Limit on grants.*
- Sec. 447. Eligible activities.*
- Sec. 448. Employment assistance.*
- Sec. 449. Limits on advances and grants.*
- Sec. 450. Site control.*
- Sec. 451. Flood plain restrictions.*
- Sec. 452. Matching requirement.*
- Sec. 453. Reports to Congress.*
- Sec. 454. Authorization of appropriations.*
- Sec. 455. Reallocations.*

Subtitle D—Supplemental Assistance for Facilities To Assist the Homeless

- Sec. 461. Use of assistance.*
- Sec. 462. Reservation of funds.*
- Sec. 463. Site control.*
- Sec. 464. Authorization of appropriations.*

Subtitle E—Miscellaneous Provisions

- Sec. 481. Section 8 assistance for single room occupancy dwellings.*
- Sec. 482. Administrative provisions.*
- Sec. 483. Report on effect of rent control on homelessness.*
- Sec. 484. Report on allocation formulas.*
- Sec. 485. Regulations.*

TITLE V—IDENTIFICATION AND USE OF SURPLUS FEDERAL PROPERTY

- Sec. 501. Identification and use of unutilized and underutilized public buildings and property.*

TITLE VI—REVISION AND EXTENSION OF PROGRAMS OF HEALTH CARE FOR THE HOMELESS

Subtitle A—Categorical Grants for Primary Health Services and Substance Abuse Services

- Sec. 601. Increase in required amount of matching funds and modification in eligibility for waiver with respect to matching funds.*
- Sec. 602. Establishment of authority for temporary continued provision of services to certain former homeless individuals.*
- Sec. 603. Clarification with respect to certain provisions.*
- Sec. 604. Authorization of appropriations.*

Subtitle B—Block Grant for Community Mental Health Services

- Sec. 611. Authorization of appropriations and contingent conversions to categorical program.*
Sec. 612. Eligibility of territories.
Sec. 613. Technical and conforming amendments.

Subtitle C—Authorization of Appropriations for Community Demonstration Projects

- Sec. 621. Mental health services for homeless individuals with chronic mental illness.*
Sec. 622. Alcohol and drug abuse treatment of homeless individuals.

Subtitle D—General Provisions

- Sec. 631. Effective dates.*

TITLE VII—EDUCATION, TRAINING, AND COMMUNITY SERVICES PROGRAMS

Subtitle A—Homeless Assistance Programs

- Sec. 701. Adult education for the homeless.*
Sec. 702. Education for homeless children and youth.
Sec. 703. Job training for the homeless.
Sec. 704. Emergency community services homeless grant program.
Sec. 705. Technical amendments to Older Americans Act of 1965.

Subtitle B—Job Training and Partnership Act

- Sec. 711. Short title.*
Sec. 712. Incentive bonus entitlement for employable dependent individuals.
Sec. 713. Provisions for improving assistance to hard-to-serve individuals and welfare recipients.
Sec. 714. Conforming and miscellaneous amendments.

TITLE VIII—VETERANS PROGRAMS

- Sec. 801. Medical programs.*

TITLE IX—AID TO FAMILIES WITH DEPENDENT CHILDREN; UNEMPLOYMENT COMPENSATION

- Sec. 901. Extension of prohibition against implementation of certain proposed regulations.*
Sec. 902. Review of policy governing use of AFDC funds to meet emergency needs of families eligible for AFDC through emergency assistance or special needs payments; report to Congress.
Sec. 903. Demonstration projects to reduce number of homeless AFDC families in welfare hotels.
Sec. 904. Preventing fraud and abuse in housing and urban development programs.

TITLE X—HOUSING AND COMMUNITY DEVELOPMENT TECHNICAL AMENDMENTS

Subtitle A—Housing Assistance

- Sec. 1001. Income eligibility for assisted housing.*
Sec. 1002. Public housing child care grants.
Sec. 1003. Public housing resident management.
Sec. 1004. Prohibition of reduction of section 8 contract rents.
Sec. 1005. Project-based section 8 assistance.
Sec. 1006. Section 8 assistance for residents of rental rehabilitation projects.
Sec. 1007. Rental rehabilitation program.
Sec. 1008. Tweemill House.
Sec. 1009. Housing counseling.
Sec. 1010. Multifamily housing management and preservation.
Sec. 1011. Multifamily housing capital improvements assistance.
Sec. 1012. Use of funds recaptured from refinancing State finance projects.
Sec. 1013. Public housing lease and grievance procedures.
Sec. 1014. Exceptions to tenant preference provisions.

Subtitle B—Preservation of Low Income Housing

- Sec. 1021. Notice of intent.*
- Sec. 1022. Plan of action.*
- Sec. 1023. Incentives to extend low income use.*
- Sec. 1024. Criteria for approval of plan of action.*
- Sec. 1025. Modification of existing regulatory agreements.*
- Sec. 1026. Report on notice to tenants and incentives.*
- Sec. 1027. Definition of eligible low income housing.*
- Sec. 1028. Rural rental housing displacement prevention.*
- Sec. 1029. Section 8 loan management program.*

Subtitle C—Rural Housing

- Sec. 1041. Implementation of guaranteed loan demonstration.*
- Sec. 1042. Section 515 rents.*
- Sec. 1043. Availability of domestic farm labor housing for other families.*
- Sec. 1044. Rural rental rehabilitation demonstration.*
- Sec. 1045. Legal representation in litigation involving collection of claims and obligations arising out of rural housing programs.*

Subtitle D—Mortgage Insurance and Secondary Mortgage Market Programs

- Sec. 1061. Change in definition of veteran.*
- Sec. 1062. Limitation on use of single family mortgage insurance by investors.*
- Sec. 1063. Procedures applicable to assumption of insured mortgages.*
- Sec. 1064. Payment of claims on losses from preforeclosure sales.*
- Sec. 1065. Mortgage insurance on Hawaiian home lands.*
- Sec. 1066. Home equity conversion mortgage insurance demonstration.*
- Sec. 1067. Reciprocity in approval of housing subdivisions among Federal agencies.*
- Sec. 1068. Permanent authority to purchase second mortgages on multifamily properties.*

Subtitle E—Community Development and Miscellaneous Programs

- Sec. 1081. City and county classifications.*
- Sec. 1082. Corrections to cross-references.*
- Sec. 1083. Conserving neighborhoods and housing by prohibiting displacement.*
- Sec. 1084. Urban development action grants.*
- Sec. 1085. Neighborhood reinvestment corporation.*
- Sec. 1086. National flood insurance program.*
- Sec. 1087. Home mortgage disclosure.*
- Sec. 1088. Lead-based paint poisoning prevention.*
- Sec. 1089. Interstate land sales full disclosure.*
- Sec. 1090. Designation of enterprise zones.*
- Sec. 1091. Report on recommended policy for dealing with radon in assisted housing.*

TITLE I—GENERAL PROVISIONS

SEC. 101. BUDGET COMPLIANCE.

(a) *IN GENERAL.*—This Act and the amendments made by this Act may not be construed to provide for new budget authority, budget outlays, or new entitlement authority, for fiscal year 1989 or 1990 in excess of the appropriate aggregate levels established by the concurrent resolution on the budget for such fiscal year for the programs authorized by this Act and the amendments made by this Act.

(b) *DEFINITIONS.*—For purposes of this section, the terms “budget authority”, “budget outlays”, “concurrent resolution on the budget”, and “entitlement authority” have the meanings given such terms in section 3 of the Congressional Budget Act of 1974 (2 U.S.C. 622).

SEC. 102. ANNUAL PROGRAM SUMMARY BY COMPTROLLER GENERAL.

(a) *IN GENERAL.*—Section 105 of the Stewart B. McKinney Homeless Assistance Act (42 U.S.C. 11304) is amended—

(1) by inserting “annually” after “shall”; and

(7) in section 411(c), by striking "disease and and" and inserting "disease and";

(8) in section 422(b)—

(A) in paragraph (1), by striking "Alzheimers' disease and other neurological and organic disorders of the Alzheimers' type" and inserting "Alzheimer's disease and related disorders with neurological and organic brain dysfunction"; and

(B) in paragraph (9)(B), by striking "ACTION" and inserting "the ACTION Agency"; and

(9) in section 507(3), by adding "; and" at the end.

Subtitle B—Job Training Partnership Act

SEC. 711. SHORT TITLE.

This subtitle may be cited as the "Jobs for Employable Dependent Individuals Act".

SEC. 712. INCENTIVE BONUS ENTITLEMENT FOR EMPLOYABLE DEPENDENT INDIVIDUALS.

(a) **AMENDMENTS TO JTPA.**—The Job Training Partnership Act (29 U.S.C. 1501 et seq.) (hereinafter in this title referred to as the "Act") is amended—

(1) by redesignating title V and all references thereto as title VI,

(2) by redesignating sections 501, 502, 503, and 504 as sections 601, 602, 603, and 604, respectively, and

(3) by inserting after title IV the following new title:

"TITLE V—JOBS FOR EMPLOYABLE DEPENDENT INDIVIDUALS INCENTIVE BONUS PROGRAM

"SEC. 501. STATEMENT OF PURPOSE.

"It is the purpose of this title to entitle each State to the payment of a bonus for the successful job placement of certain employable dependent individuals.

"SEC. 502. DEFINITIONS.

"For the purpose of this title—

"(1) the term 'welfare assistance' means—

"(A) cash payments made pursuant to part A of title IV of the Social Security Act (relating to the aid to families with dependent children program);

"(B) general welfare assistance to Indians, as provided pursuant to the Act of November 2, 1921 (25 U.S.C. (13)), commonly referred to as the Snyder Act; or

"(C) cash assistance and medical assistance for refugees made available pursuant to section 412(e) of the Immigration and Nationality Act;

"(2) the term 'disability assistance' means benefits offered pursuant to title XVI of the Social Security Act (relating to the supplemental security income program);

"(3) the term 'long-term recipient' means an individual who has received the benefits described in paragraphs (1) and (2) for 24 months during the 28-month period immediately preceding application for programs offered under this title;

"(4) the term 'continuous employment' means gainful employment under which wages or salaries are reportable for unemployment insurance purposes, and such wages or salaries are earned during a total of 4 out of 5 consecutive calendar quarters;

"(5) the term 'supported employment' has the meaning given such term by section 7(18) of the Rehabilitation Act of 1973; and

"(6) the term 'Federal contribution' means the amount of the Federal component of cash payments to individuals within the participating State under the programs described in this section, including part A of title IV of the Social Security Act.

"SEC. 503. ELIGIBILITY FOR INCENTIVE BONUSES.

"(a) **IN GENERAL.**—An individual shall be eligible to be counted for the purpose of this title if—

"(1) the individual is—

"(A) an eligible long-term recipient described in subsection (b);

"(B) an eligible young recipient described in subsection (c);

"(C) an eligible blind or disabled recipient described in subsection (d); or

"(D) an eligible young blind or disabled recipient described in subsection (e); and

"(2) the individual has met the requirements of section 504.

"(b) **LONG-TERM RECIPIENT.**—An eligible long-term recipient is an individual who—

"(1) is a long-term recipient of welfare assistance;

"(2) is the head of a household; and

"(3) had no marketable or significant work experience during the year preceding determination of eligibility for programs under this Act.

"(c) **YOUNG RECIPIENT.**—An eligible young recipient is an individual who—

"(1) is receiving welfare assistance at the time determination of eligibility is made for programs under this Act;

"(2) is the head of a household;

"(3) has not attained 22 years of age;

"(4) has not completed secondary school or its equivalent; and

"(5) had no marketable or significant work experience during the year preceding determination of eligibility for programs under this Act.

"(d) **BLIND OR DISABLED RECIPIENT.**—An eligible blind or disabled recipient is an individual who—

"(1) is blind or disabled;

"(2) is a long-term recipient of disability assistance; and

"(3) had no marketable or significant work experience during the year preceding determination of eligibility for programs offered under this Act.

"(e) YOUNG BLIND OR DISABLED RECIPIENT.—An eligible young blind or disabled recipient is an individual who—

"(1) is blind or disabled;

"(2) is receiving disability assistance at the time determination of eligibility is made for programs under this Act;

"(3) has not attained 22 years of age; and

"(4) has no marketable or significant work experience during the year preceding such determination of eligibility.

"SEC. 504. ADDITIONAL ELIGIBILITY REQUIREMENTS.

"(a) IN GENERAL.—An individual described in section 503 may not be considered eligible to be counted for the purpose of payment of an incentive bonus under this title unless such individual—

"(1) has successfully participated in education, training, or other activities offered under this Act;

"(2) has been placed in (A) unsubsidized, continuous employment or (B) supported employment following such participation;

"(3) receives from such employment a wage or income which is greater than or equal to such individual's placement bonus base; and

"(4) no longer receives cash benefits provided under the assistance programs described in paragraphs (1) and (2) of section 502, unless receipt of such benefits—

"(A) is limited to 1 calendar quarter (or an equivalent period) during the 5 calendar quarters used to determine continuous employment; and

"(B) is caused by a termination of employment due to—

"(i) a layoff or permanent closure of a plant or facility;

"(ii) a relocation of Federal facilities; or

"(iii) a natural disaster.

"(b) QUALIFIED EARNINGS.—An individual shall be considered to be earning a wage or income which meets the requirements of subsection (a)(3) if, during a period of continuous employment, the individual earns an income reportable for unemployment insurance purposes and does not receive cash benefits under the programs described in section 502.

"(c) EDUCATIONAL REQUIREMENTS.—An individual described in section 503(c) or (e) shall be considered to have met the requirements of subsection (a)(1) if the individual no longer receives welfare assistance and—

"(1) reenrolls in secondary school or its equivalent and matriculates to the next grade level or its equivalent within 1 year of enrollment;

"(2) enrolls in an accredited vocational or technical school not less than full time and is making satisfactory progress in a course of study which can reasonably be expected to lead to employment; or

"(3) obtains the equivalent of a secondary school diploma within 12 months following the individual's determination of eligibility for programs offered under this title.

"SEC. 505. AMOUNT OF INCENTIVE BONUS.

"(a) IN GENERAL.—The amount of the incentive bonus paid to each State shall be equal to the sum of—

"(1) 75 percent of the placement bonus base for each successful placement in employment of an individual described in section 503;

"(2) 75 percent of the placement bonus base for the second continuous year of such employment; and

"(3) 75 percent of the placement bonus base for the third continuous year of such employment,

in excess of the number of such placements made in program year 1987 or such other base period as provided by agreement between the Governor and the Secretary.

"(b) **PLACEMENT BONUS BASE FOR PURPOSES OF SECTION 503(b) AND (c).**—For the purpose of this section, the placement bonus base—

"(1) for an individual who qualifies under section 503(b) is equal to the sum of the Federal contribution to amounts received by the individual and the family of such individual under a State plan approved under part A of title IV of the Social Security Act, relating to aid to families with dependent children, or under section 412(e) of the Immigration and Nationality Act, relating to cash assistance and medical assistance to refugees, or both, for the 2 fiscal years prior to the determination made under section 503 divided by 2; and

"(2) for an individual who qualifies under section 503(c) shall be the annual amount to which such individual would have been entitled for 1 year at the time of the determination of eligibility of the individual, if such individual has not received the benefits described in section 502(1)(A) for the prior year, under part A of title IV of the Social Security Act, relating to the aid to families with dependent children program, or section 412(e) of the Immigration and Nationality Act relating to cash assistance and medical assistance to refugees.

"(c) **PLACEMENT BONUS BASE FOR PURPOSES OF SECTION 503 (d) AND (e).**—For the purpose of this section, the placement bonus base—

"(1) for an individual who qualifies under section 503(d) is equal to the sum of the Federal contribution to amounts received by the individual under title XVI of the Social Security Act relating to supplemental security income for the 2 fiscal years prior to the determination made under section 503 divided by 2; and

"(2) for an individual who qualifies under section 503(e) shall be the annual amount to which such individual would have been entitled for 1 year at the time of the determination of eligibility of the individual, if such individual has not received the benefits described in section 502(2) for the prior year under title XVI of the Social Security Act, relating to supplemental security income.

"SEC. 506. APPLICATIONS AND VERIFICATION REQUIRED.

"(a) **NOTICE OF INTENT TO PARTICIPATE.**—Any State seeking to participate in the incentive bonus program established under this title shall notify the Secretary of its intent to do so not later than 30 days before the beginning of its first program year of participation.

"(b) **APPLICATION.**—(1) Any State seeking to receive an incentive bonus under this title shall submit an application to the Secretary. Such application shall contain or be accompanied by such informa-

tion and assurances as the Secretary may reasonably require in order to ensure compliance with this title. Each application shall contain, at a minimum—

“(A) the placement bonus base for eligible individuals who serve to qualify the State for an incentive bonus; and

“(B)(i) a brief description of the unsubsidized employment or supported employment of such individuals; or

“(ii) a description of participation in educational activities, as permitted under section 504, by such individuals.

“(2) The application to participate in the incentive bonus program shall be submitted to the Secretary according to a schedule established by the Secretary in order to facilitate and expedite the processing, verification, and prompt payment of incentive bonuses.

“(c) NOTICE OF APPROVAL OR DENIAL.—The Secretary shall inform a State within 60 days after receipt of the application as to whether or not its application has been approved. The Secretary may not approve an application for payment of an incentive bonus without adequately verifying the accuracy of the information contained in the application. There shall be a rebuttable presumption that an individual is eligible to be counted for the purpose of payment of an incentive bonus under this title. When appropriate, the Secretary may use a sampling methodology for such verifications in a manner approved by the Comptroller General of the United States.

“(d) SERVICE DELIVERY AREA PARTICIPATION.—Participation by a State in the incentive bonus program established under this title shall not prevent any service delivery area within the State from refusing to participate in such program.

“SEC. 507. PAYMENTS.

“(a) IN GENERAL.—For each program year for which funds are appropriated to carry out this title, the Secretary shall pay to each participating State the amount that State is eligible to receive under this section.

“(b) RATABLE REDUCTIONS.—If the amount so appropriated is not sufficient to pay to each State the amount each State is eligible to receive, the Secretary shall ratably reduce the amount paid to each State.

“(c) RATABLE INCREASES.—If any additional amount is made available for carrying out this title for any program year after the application of the preceding sentence, such additional amount shall be allocated among the States by increasing such payments in the same manner as they were reduced, except that no such State shall be paid an amount which exceeds the amount which it is eligible to receive under this section.

“SEC. 508. USE OF INCENTIVE BONUS FUNDS.

“(a) USE OF INCENTIVE BONUS FUNDS.—After submission and approval of an application for an incentive bonus payment and before receipt of such payment, the Governor of such State may reserve from State funds an amount equal to the amount of a bonus incentive requested in the application for the purpose of making expenditures in accordance with this title. Bonus payments received thereafter may be used for reimbursement of such expenditures.

“(b) LIMITATIONS.—(1)(A) During any program year, the Governor may use an amount not to exceed 15 percent of the State's total

bonus payments or amounts reserved under subsection (a) for administrative costs incurred under this title, including data and information collection and compilation, recordkeeping, or the preparation of applications for incentive bonuses.

"(B) The amount of incentive bonus payments or the amounts reserved under subsection (a) which remain after the deduction of administrative expenses under paragraph (1) shall be distributed to service delivery areas within the State in accordance with an agreement between the Governor and representatives of such areas. Such agreement shall reflect an equitable method of distribution which is based on the degree to which the efforts of such area contributed to the State's qualification for an incentive bonus payment under this title.

"(2)(A) Subject to subparagraph (B), a maximum of 10 percent of the amounts received under this title in any program year by each service delivery area may be used for the administrative costs of establishing and maintaining systems necessary for operation of programs under this title, including incentive payments described in subsection (c), technical assistance, data and information collection and compilation, management information systems, post-program followup activities, and research and evaluation activities. The balance of funds not so expended shall be used for activities similar to activities described in section 204.

"(B) If a service delivery area determines that administrative costs under this title will exceed the 10 percent administrative allocation, such area may use an additional 5 percent allocation of bonus payments or amounts reserved under subsection (a) for such activities if such area demonstrates to the Governor that the administering agency in the area needs additional funds to continue administrative activities under this title.

"(c) INCENTIVE PAYMENTS TO SERVICE PROVIDERS.—Each service delivery area may make incentive payments to service providers within its service delivery area, including participating State and local agencies, and community-based organizations, that demonstrate effectiveness in delivering employment and training services to individuals such as those described in section 503.

"(d) APPLICATION OF SECTION RELATING TO ADMINISTRATIVE ADJUDICATIONS.—Section 166 of this Act, relating to administrative adjudication, shall apply to the distribution of incentive bonus payments under this section.

"SEC. 509. INFORMATION AND DATA COLLECTION.

"(a) TECHNICAL ASSISTANCE.—In order to facilitate the collection, exchange, and compilation of data and information required by this title, the Secretary shall, within 90 days after the date of enactment of this title, begin providing, on an ongoing basis, technical assistance to the States. Such assistance shall include, at a minimum, cost-effective methods for using State and Federal records to which the Secretary has lawful access.

"(b) REGULATIONS.—The Secretary, the Secretary of Health and Human Services, and the Secretary of the Interior jointly shall issue regulations regarding the sharing, among States participating in the programs under this title, of the data and information necessary to

fulfill the requirements of this title. Such regulations shall provide for—

“(1) the maintenance of confidentiality of the information so shared, in accordance with Federal and State privacy laws, and
“(2) penalties for any violation of such regulations.

“(c) ANNUAL SURVEY.—The Secretary shall conduct an annual survey of States participating in programs under this title and shall report to the Congress concerning—

“(1) the success of such States in gathering the data and information required under this title; and

“(2) methods for improving and refining the ability of such States to gather the data and information required under this title.

“SEC. 510. START-UP COSTS.

“(a) APPLICATION.—Before notifying the Secretary of an intent to participate in the incentive bonus program established under this title, a State may apply to the Secretary for financial assistance in accordance with this section. Such application shall be submitted to the Secretary not later than 120 days before the beginning of the program year.

“(b) CONTENTS.—Applications submitted under this section shall contain such information as the Secretary may reasonably require.

“(c) DETERMINATIONS OF AWARDS.—(1) The Secretary shall determine the amounts to be awarded based on the need demonstrated in the application submitted by the State.

“(2) The Secretary shall notify the State of the determination made under this section no later than 60 days after receiving such State’s application.

“(3)(A) Funds received by a State under this section shall be available for expenditure for the first 2 program years of such State’s participation under this title, beginning with the program year following the program year in which a determination under this section is made. Expenditure of such funds (or any portion thereof) shall be considered an agreement by the State to participate in accordance with this title for a period of not less than 2 consecutive program years, beginning with the first program year in which such funds become available for expenditure.

“(B) Funds awarded to the State which remain unexpended at the end of such 2 program years shall be reallocated by the Secretary to other participating States.

“(C) Funds received under this section by the State shall be used for activities such as those described in section 508(b) and for higher costs incurred in overcoming the substantial barriers to employment experienced by individuals eligible under this title.

“(d) ALLOCATION.—Funds received under this section may be allocated to State agencies or service delivery areas within the State for expenditure in accordance with this title.

“(e) NOTICE OF PROPOSED RULEMAKING.—Not later than 3 months after the date of the enactment of this title, the Secretary shall issue a notice of proposed rulemaking with respect to this title and shall allow not less than 60 days for public comment. Final regulations shall be issued not later than 7 months following such date of enactment.

"SEC. 511. EVALUATION AND PERFORMANCE STANDARDS.

"(a) EVALUATION.—The Secretary shall conduct or provide for an evaluation of the incentive bonus program authorized under this title. The Secretary shall consider—

"(1) whether the program results in increased service under this Act to long-term welfare recipients and other hard-to-serve individuals;

"(2) whether the program results in sustained employment of such welfare recipients and individuals, with resultant welfare and other cost savings to the Federal Government;

"(3) whether the program is administratively feasible and cost effective;

"(4) whether the services provided to other eligible participants under part A of title II are affected by the implementation and operation of the incentive bonus program; and

"(5) such other factors as the Secretary deems appropriate.

"(b) REPORT TO CONGRESS.—Not later than January 1, 1996, the Secretary shall report to the Congress on the effectiveness of the incentive bonus program authorized under this title. Such report shall include an analysis of the costs of such program and the results of such activities.

"(c) PERFORMANCE STANDARD.—The Secretary shall establish a performance standard which weights performance outcomes under this title to reflect the higher costs incurred in overcoming the substantial barriers to employment experienced by individuals eligible under this title. Not later than 2 years after the first program year, the Secretary shall prepare and submit to the Congress a report on the effect of such standard."

(b) TABLE OF CONTENTS AMENDMENT.—The table of contents of the Act is amended by inserting after the items relating to title IV the following new items:

**"TITLE V—JOBS FOR EMPLOYABLE DEPENDENT INDIVIDUALS
INCENTIVE BONUS PROGRAM**

"Sec. 501. Statement of purpose.

"Sec. 502. Definitions.

"Sec. 503. Eligibility for incentive bonuses.

"Sec. 504. Additional eligibility requirements.

"Sec. 505. Amount of incentive bonus.

"Sec. 506. Applications and verification required.

"Sec. 507. Payments.

"Sec. 508. Use of incentive bonus funds.

"Sec. 509. Information and data collection.

"Sec. 510. Start-up costs.

"Sec. 511. Evaluation and performance standards."

SEC. 713. PROVISIONS FOR IMPROVING ASSISTANCE TO HARD-TO-SERVE INDIVIDUALS AND WELFARE RECIPIENTS.

(a) GOVERNORS' INCENTIVE GRANTS.—The first sentence of section 202(b)(3)(B) of the Act (29 U.S.C. 1602(b)(3)(B)) is amended by striking out "including incentives for serving hard-to-serve individuals" and inserting in lieu thereof "and incentives for serving increased numbers of hard-to-serve individuals, particularly long-term welfare recipients, including title IV of the Social Security Act, relating to aid to families with dependent children, and title XVI of such Act, relating to supplemental security income".

(b) **PERFORMANCE STANDARDS.**—Section 106(e) of the Act (29 U.S.C. 1516) is amended—

(1) by inserting "(1)" after the subsection designation; and

(2) by adding at the end thereof the following new paragraph:

"(2) The Secretary shall—

"(A) provide improved information and technical assistance on performance standards adjustments;

"(B) collect data that better specifies hard-to-serve individuals and long-term welfare dependency; and

"(C) provide guidance on setting performance goals at the service provider level that encourages increased service to the hard-to-serve, particularly long-term welfare recipients, including title IV of the Social Security Act, relating to aid to families with dependent children, and title XVI of such Act, relating to supplemental security income.

The Secretary shall also reexamine performance standards to ensure that such standards provide maximum flexibility in serving the hard-to-serve, particularly long-term welfare recipients, including title IV of the Social Security Act, relating to aid to families with dependent children, and title XVI of such Act, relating to supplemental security income."

SEC. 714. CONFORMING AND MISCELLANEOUS AMENDMENTS.

(a) **CONTENTS OF JOB TRAINING PLAN.**—Section 104(b) of the Act (29 U.S.C. 1514(b)) (as amended by subsection (b)) is further amended—

(1) by redesignating paragraphs (7), (8), (9), (10), and (11) as paragraphs (8), (9), (10), (11), and (12), respectively; and

(2) by adding after paragraph (6) the following new paragraph:

"(7) a description of the procedures and methods of carrying out title V, relating to incentive bonus payments for the placement of individuals eligible under such title;"

(b) **PERFORMANCE STANDARDS.**—Section 106(b) of the Act (29 U.S.C. 1516(b)) is amended by adding at the end thereof the following new paragraph:

"(5) The Secretary shall prescribe performance standards under this section for programs authorized by title V, relating to the placement of individuals eligible under such title, in accordance with the criteria specified in section 511(c)."

(c) **PLAN COORDINATION.**—Section 121(b) of the Act (29 U.S.C. 1531(b)) is amended—

(1) by redesignating paragraphs (3) and (4) as paragraphs (4) and (5), respectively; and

(2) by adding after paragraph (2) the following new paragraph:

"(3) The State plan shall include a description of the manner in which the State will encourage the successful carrying out of—

"(A) training activities for eligible individuals whose placement is the basis for the payment to the State of the incentive bonus authorized by title V; and

"(B) the training services, outreach activities, and preemployment supportive services furnished to such individuals."

ices under section 115 of the Veterans Benefits and Services Act of 1988 (Public Law 100-322; 102 Stat. 501) to homeless veterans who have a chronic mental illness disability. Not more than \$500,000 of the amount available under the preceding sentence shall be used for the purpose of monitoring the furnishing of such care and services and, in furtherance of such purpose, maintaining in the Veterans' Administration the equivalent of 10 full-time employees.

(d) *LIMITATION.*—Nothing in this section shall result in the diminution of the conversion of hospital-care beds to nursing-home-care beds by the Veterans' Administration.

TITLE IX—AID TO FAMILIES WITH DEPENDENT CHILDREN; UNEMPLOYMENT COMPENSATION

SEC. 901. EXTENSION OF PROHIBITION AGAINST IMPLEMENTATION OF CERTAIN PROPOSED REGULATIONS.

Section 9118 of the Omnibus Budget Reconciliation Act of 1987 (42 U.S.C. 1383c) is amended by striking "October 1, 1988" and inserting "September 30, 1989".

SEC. 902. REVIEW OF POLICY GOVERNING USE OF AFDC FUNDS TO MEET EMERGENCY NEEDS OF FAMILIES ELIGIBLE FOR AFDC THROUGH EMERGENCY ASSISTANCE OR SPECIAL NEEDS PAYMENTS; REPORT TO CONGRESS.

(a) *REVIEW OF POLICY.*—The Secretary of Health and Human Services shall review the policies in effect, as of the date of the enactment of this section, with respect to the use by States of amounts paid to such States under the program of aid to families with dependent children under part A of title IV of the Social Security Act, in the form of payments of aid to meet special needs or emergency assistance under section 406(e) of such Act to meet emergency needs of families who are eligible for such aid.

(b) *REPORT TO CONGRESS.*—Not later than July 1, 1989, the Secretary of Health and Human Services shall submit to the Congress a report containing recommendations for legislative and regulatory changes designed to—

(1) improve the ability of the program of aid to families with dependent children under part A of title IV of the Social Security Act to respond to emergency needs of families who are eligible for such aid; and

(2) eliminate the use of funds provided to States under such program to pay for the provision of shelter in commercial or similar transient facilities.

SEC. 903. DEMONSTRATION PROJECTS TO REDUCE NUMBER OF HOMELESS AFDC FAMILIES IN WELFARE HOTELS.

(a) *IN GENERAL.*—In order to enable States to provide housing for homeless families who are recipients of aid to families with dependent children under a State plan approved under part A of title IV of the Social Security Act in transitional facilities instead of in commercial or similar transient facilities, at least 2 but not more than 3 States may undertake and carry out demonstration projects in accordance with this section. States may use public or private nonprof-

it agencies in carrying out demonstration projects in accordance with this section. Demonstration projects under this section shall meet such conditions and requirements as the Secretary of Health and Human Services (in this section referred to as the "Secretary") shall prescribe.

(b) **DUTIES OF SECRETARY OF HEALTH AND HUMAN SERVICES.**—The Secretary shall—

(1) consider all applications received from States desiring to conduct demonstration projects under this section;

(2) transmit to the Comptroller General for review under subsection (e) a copy of each such application received;

(3) approve at least 2 but not more than 3 applications involving projects which appear likely to contribute significantly to the achievement of the purpose of this section; and

(4) make grants from funds appropriated to carry out this section to each State whose application is so approved to carry out the project that is the subject of the application.

(c) **PROJECT REQUIREMENTS.**—The Secretary shall not approve an application received from a State for a demonstration project under this section unless the State agency that administers the program of aid to families with dependent children in the State under a State plan approved under part A of title IV of the Social Security Act demonstrates that the project will—

(1) provide housing in transitional facilities only to homeless families who are recipients of aid to families with dependent children under the State plan and who reside in commercial or similar transient facilities;

(2) permanently reduce the number of rooms used to house homeless families who are recipients of such aid in commercial or similar transient facilities by the number of units made available in transitional facilities in accordance with paragraph (1); and

(3) provide that the Federal share of the total amount of cash assistance provided under the project to families residing in transitional facilities plus the total amount of grants made to the State under this section must be less than or equal to the Federal share of the cost of housing such families in commercial or similar transient facilities (including payments made to cover basic needs and services of such families).

(d) **USE OF FUNDS.**—Each State that receives funds under this section shall use such funds to—

(1) rehabilitate or construct transitional facilities which are easily convertible to permanent housing when such facilities are no longer needed as transitional facilities; and

(2) provide on-site social services at such facilities.

(e) **GAO REVIEW OF APPLICATIONS.**—Within 90 days after the Comptroller General receives from the Secretary a copy of an application submitted under this section, the Comptroller General shall review such application and report to the Committee on Finance of the Senate and the Committee on Ways and Means of the House of Representatives on whether the Federal share of the total amount of cash assistance to be provided under the project which is the subject of the application to families residing in transitional facilities plus the total amount of grants to be made to the State under this sec-

tion is less than or equal to the Federal share of the cost of housing such families in commercial or similar transient facilities (including payments made to cover basic needs and services of such families).

(f) **AUTHORIZATION OF APPROPRIATIONS.**—For grants under this section, there is authorized to be appropriated to the Secretary for the fiscal year 1990 not to exceed \$20,000,000, which shall remain available until expended.

(g) **DEFINITIONS.**—As used in section 902 and this section:

(1) **HOMELESS FAMILY.**—The term “homeless family” means a dependent child or children and the relatives with whom such child or children are living, who—

(A) lack a fixed and regular nighttime address;

(B) have a primary residence that is a shelter designed for temporary accommodation, a hotel, or a motel; or

(C) are living in a place not designed for, or ordinarily used as, a regular sleeping accommodation.

(2) **COMMERCIAL OR SIMILAR TRANSIENT FACILITIES.**—The term “commercial or similar transient facilities” means transient accommodations in—

(A) a commercial hotel or motel operated by a privately owned for-profit entity; or

(B) a similar establishment which is not a transitional facility (whether or not directly operated or contracted for by the State or a political subdivision or by a not-for-profit organization authorized by the State or political subdivision to provide such accommodations).

(3) **TRANSITIONAL FACILITY.**—The term “transitional facility” means any facility operated by a State or local government or a nonprofit organization which, at a minimum—

(A) provides temporary and private sleeping accommodations, and temporary eating and cooking accommodations; and

(B) provides services to help families locate and retain permanent housing.

SEC. 904. PREVENTING FRAUD AND ABUSE IN HOUSING AND URBAN DEVELOPMENT PROGRAMS.

(a) **DEFINITIONS.**—As used in this section:

(1) **SECRETARY.**—The term “Secretary” means the Secretary of Housing and Urban Development.

(2) **APPLICANT; PARTICIPANT.**—The terms “applicant” and “participant” shall have such meanings as the Secretary by regulation shall prescribe, except that such terms shall include members of an applicant’s or participant’s household, and such terms shall not include persons whose involvement is only in their official capacity, such as State or local government officials and officers of lending institutions.

(3) **PUBLIC HOUSING AGENCY.**—The term “public housing agency” means any agency described in section 3(b)(6) of the United States Housing Act of 1937.

(b) **APPLICANT AND PARTICIPANT CONSENT.**—As a condition of initial or continuing eligibility for participation in any program of the Department of Housing and Urban Development involving initial

and periodic review of an applicant's or participant's income, and to assure that the level of benefits provided under the program is correct, the Secretary may require that an applicant or participant—

(1) sign a consent form approved by the Secretary authorizing the Secretary, the public housing agency, or the owner responsible for determining eligibility for or level of benefits to request current or previous employers to verify salary and wage information pertinent to the applicant's or participant's eligibility or level of benefits; and

(2) sign a consent form approved by the Secretary authorizing the Secretary or the public housing agency responsible for determining eligibility or level of benefits to request a State agency charged with the administration of the State unemployment law to release wage information with respect to such applicant or participant or information regarding whether such applicant or participant is receiving, has received, or has made application for, unemployment compensation, and the amount of any such compensation being received (or to be received) by such applicant or participant.

This consent form shall not be used to request taxpayer return information protected by section 6103 of the Internal Revenue Code of 1986.

(c) ACCESS TO STATE EMPLOYMENT RECORDS.—

(1) AMENDMENTS TO SOCIAL SECURITY ACT.—(A) Section 303 of the Social Security Act (42 U.S.C. 503) is amended by adding at the end the following new subsection:

“(i)(1) The State agency charged with the administration of the State law—

“(A) shall disclose, upon request and on a reimbursable basis, only to officers and employees of the Department of Housing and Urban Development and to representatives of a public housing agency, any of the following information contained in the records of such State agency with respect to individuals applying for or participating in any housing assistance program administered by the Department who have signed an appropriate consent form approved by the Secretary of Housing and Urban Development—

“(i) wage information, and

“(ii) whether an individual is receiving, has received, or has made application for, unemployment compensation, and the amount of any such compensation being received (or to be received) by such individual, and

“(B) shall establish such safeguards as are necessary (as determined by the Secretary of Labor in regulations) to ensure that information disclosed under subparagraph (A) is used only for purposes of determining an individual's eligibility for benefits, or the amount of benefits, under a housing assistance program of the Department of Housing and Urban Development.

“(2) The Secretary of Labor shall prescribe regulations governing how often and in what form information may be disclosed under paragraph (1)(A).

“(3) Whenever the Secretary of Labor, after reasonable notice and opportunity for hearing to the State agency charged with the administration of the State law, finds that there is a failure to comply

substantially with the requirements of paragraph (1), the Secretary of Labor shall notify such State agency that further payments will not be made to the State until he or she is satisfied that there is no longer any such failure. Until the Secretary of Labor is so satisfied, he or she shall make no future certification to the Secretary of the Treasury with respect to such State.

"(4) For purposes of this subsection, the term 'public housing agency' means any agency described in section 3(b)(6) of the United States Housing Act of 1937.

"(5) The provisions of this subsection shall cease to be effective beginning on October 1, 1994."

(B) Section 304(a)(2) of the Social Security Act (42 U.S.C. 504(a)(2)) is amended by striking "(e), or (h)" and inserting "(e), (h), or (i)".

(2) **APPLICANT AND PARTICIPANT PROTECTIONS.**—(A) In order to protect applicants for, and recipients of, benefits under the programs of the Department of Housing and Urban Development from the improper use of information obtained pursuant to the requirements of section 303(i) of the Social Security Act from the State agency charged with the administration of the State unemployment compensation law, officers and employees of the Department of Housing and Urban Development and representatives of public housing agencies may only use such information—

(i) to verify an applicant's or participant's eligibility for or level of benefits; or

(ii) in the case of an owner responsible for determining eligibility for or level of benefits, to inform such owner that an applicant's or participant's eligibility for or level of benefits is uncertain and to request such owner to verify such applicant's or participant's income information.

(B) No Federal, State, or local agency, or public housing agency, or owner responsible for determining eligibility for or level of benefits receiving such information may terminate, deny, suspend, or reduce any benefits of an applicant or participant until such agency or owner has taken appropriate steps to independently verify information relating to—

(i) the amount of the wages or unemployment compensation involved,

(ii) whether such applicant or participant actually has (or had) access to such wages or benefits for his or her own use, and

(iii) the period or periods when, or with respect to which, the applicant or participant actually received such wages or benefits.

(C) Such applicant or participant shall be informed by the agency or owner of the findings made by the agency or owner on the basis of such verified information, and shall be given an opportunity to contest such findings, in the same manner as applies to other information and findings relating to eligibility factors under the program.

(3) **PENALTY.**—(A) Any person who knowingly and willfully requests or obtains any information concerning an applicant or participant pursuant to the authority contained in section 303(i)

of the Social Security Act under false pretenses, or any person who knowingly and willfully discloses any such information in any manner to any individual not entitled under any law to receive it, shall be guilty of a misdemeanor and fined not more than \$5,000. The term "person" as used in this paragraph shall include an officer or employee of the Department of Housing and Urban Development, an officer or employee of any public housing agency, and any owner responsible for determining eligibility for or level of benefits (or employee thereof).

(B) Any applicant or participant affected by (i) a negligent or knowing disclosure of information referred to in this section or in section 303(i) of the Social Security Act about such person by an officer or employee of any public housing agency or owner (or employee thereof), which disclosure is not authorized by this section, such section 303(i), or any regulation implementing this section or such section 303(i), or (ii) any other negligent or knowing action that is inconsistent with this section, such section 303(i), or any such implementing regulation may bring a civil action for damages and such other relief as may be appropriate against any officer or employee of any public housing agency or owner (or employee thereof) responsible for any such unauthorized action. The district court of the United States in the district in which the affected applicant or participant resides, in which such unauthorized action occurred, or in which the applicant or participant alleged to be responsible for any such unauthorized action resides, shall have jurisdiction in such matters. Appropriate relief that may be ordered by such district courts shall include reasonable attorney's fees and other litigation costs.

(d) **EFFECTIVE DATE.**—

(1) **IN GENERAL.**—Except as provided in paragraphs (2) and (3), the provisions of this section shall take effect on September 30, 1989.

(2) **OPTIONAL EARLY IMPLEMENTATION.**—At the initiative of a State or an agency of the State, and with the approval of the Secretary of Labor, the amendments made by subsection (c)(1) may be made effective in such State on any date before September 30, 1989, which is more than 90 days after the date of the enactment of this section.

(3) **REQUIREMENTS FOR STATE AGENCIES.**—In the case of any State the legislature for which has not been in session for at least 30 calendar days (whether or not consecutive) between the date of the enactment of this Act and September 30, 1989, the amendments made by subsection (c)(1) shall take effect 30 calendar days after the first day on which such legislature is in session on or after September 30, 1989.

Conference Agreement

The conference agreement would authorize the use of 50 percent of the total annual appropriation each year to furnish care to such chronically mentally ill homeless veterans.

NURSING-HOME-CARE BEDS

House Bill

The House bill (section 801) would authorize that nothing in section 801 of the bill would result in the diminution of the conversion of hospital-care beds to nursing-home-care beds by the VA.

Senate Bill

The Senate bill (section 401) contain substantively the same provision which would authorize that nothing in section 401 of the bill would result in the diminution of the conversion of hospital-care beds to nursing-home-care beds by the VA.

Conference Agreement

The conference agreement contains this provision.

TITLE IX—AID TO FAMILIES WITH DEPENDENT CHILDREN

1. AFDC EMERGENCY ASSISTANCE (TITLE IX OF THE HOUSE BILL)

Present Law

The Omnibus Budget Reconciliation Act of 1987 (P.L. 100-203), prohibits the Secretary of Health and Human Services, prior to October 1, 1988, from taking any action that would have the effect of implementing, in whole or in part, the proposed regulations published in the *Federal Register* on December 14, 1987. These regulations would have restricted the use of AFDC emergency assistance funds for homeless families and would have limited States' authority to use AFDC funds for shelter in temporary quarters, whether as a basic or special need.

Under present law, States may operate an emergency assistance program for needy families with children, if the assistance is necessary to avoid the destitution of the child, or to provide living arrangements in a home for the child. The statute authorizes 50 percent Federal matching funds for emergency assistance furnished for a period not in excess of 30 days in any 12-month period. Current regulations state that Federal matching is available for emergency assistance authorized by the State during one period of 30 consecutive days in any 12 consecutive months, including payments which are to meet needs which arose before the 30-day period, or are for such needs as rent which extend beyond the 30-day period.

AFDC regulations also allow States to include, in their State standards of need, provision for meeting "special needs" of AFDC applicants and recipients. The State plan must specify the circumstances under which payments will be made for special needs. Some States use AFDC emergency assistance and/or special needs funds to provide assistance to homeless families, including shelter in so-called "welfare hotels."

House Bill

(a) Extends, through September 30, 1989, the prohibition on implementation of the regulations proposed by the Secretary of Health and Human Services on December 14, 1987.

(b) Requires the Secretary of Health and Human Services to review current policy with respect to the use of AFDC funds in the form of emergency assistance or special needs payments to meet emergency needs of AFDC eligible families.

(c) Requires the Secretary of Health and Human Services to submit a report to Congress by April 1, 1989. The report would include recommendations for statutory and regulatory changes designed to: (1) improve the ability of the AFDC program to respond to emergency needs of AFDC eligible families; and (2) eliminate the use of AFDC funds for shelter costs in so-called "welfare hotels."

(d) Authorizes 5 State or local demonstration projects designed to reduce the number of families in welfare hotels and expand the availability of transitional housing.

Under the demonstration, a State or locality would be permitted to use AFDC funds to pay the operating costs (including debt service) of transitional facilities for homeless AFDC families. The normal AFDC match would apply. In order to participate in the demonstration, the State or locality must demonstrate to the Secretary of Health and Human Services that:

- for each transitional facility that is made available, the State or locality will permanently discontinue using an equal number of welfare hotel rooms currently used to house homeless AFDC families.
- the transitional facility can provide shelter and services to a homeless AFDC family at the same or less cost than a welfare hotel and that there will be no net cost to the Federal government in fiscal year 1989 or any subsequent fiscal year.

The term welfare hotel would be defined as a commercial or similar transient facility offering accommodations in a commercial hotel or motel operated by a privately owned for profit entity, or any similar establishment that does not meet the definition of transitional facility. The term transitional facility would be defined as a facility operated by a State, locality or non-profit organization which at least provides temporary and private sleeping accommodations, temporary eating and cooking accommodations, and services to help families locate and retain permanent housing.

The demonstration would extend for five years, beginning in fiscal year 1989.

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the House bill with respect to the moratorium on regulations and the study, modified to require that the report of the study be issued by July 1, 1989. It does not include the demonstration authority proposed in the House bill. It also includes the following demonstration authority.

New Demo Authority

In order to enable States to provide housing for homeless families who are recipients of aid to families with dependant children under a State plan approved under part A of title IV of the Social Security Act in transitional facilities instead of in commercial or similar transient facilities, at least 2 but not more than 3 States may undertake and carry out demonstration projects. States may use either public or private nonprofit agencies in carrying out the demonstration. Demonstration projects shall meet such conditions and requirements as the Secretary shall prescribe.

Funds may be used for rehabilitation or construction of transitional housing facilities, and to provide on-site social services at the facilities. The facilities must be easily convertible to permanent housing when they are no longer needed for transitional housing.

To be approved, a State AFDC agency must demonstrate that the project will:

(a) provide transitional facilities only for homeless families who are recipients of aid to families with dependent children who are residing in commercial or similar transient facilities;

(b) permanently reduce the number of rooms used to house homeless families who are recipients of such aid in commercial or similar transient facilities by the number of units made available in transitional facilities; and

(c) provide that the total cost of cash assistance provided to families residing in these facilities plus the cost of grants under this provision must result in a total Federal cost that is no greater than the cost of housing (including payments to cover basic needs and services) homeless families in commercial or similar transient facilities. The GAO will be required to review each application for grants under this provision and report to the Finance and Ways and Means Committees its analysis of whether or not the application meets this criterion.

An authorization of \$20 million is to be available until expended.

2. PREVENTING FRAUD AND ABUSE IN HOUSING AND URBAN DEVELOPMENT PROGRAMS (SECTION 262 OF THE SENATE AMENDMENT)

Present Law

No provision.

House Bill

No provision.

Senate Amendment

The Senate amendment would permit the Secretary of Housing and Urban Development to require that an applicant or participant (including members of an applicant's or participant's household) disclose his or her social security number or employer identification number. This authority is limited to programs involving loans, grants, interest or rental assistance of any kind, or mortgage or loan insurance, and to assure that the level of benefits provided under these programs is correct.

The Senate amendment also requires, as a condition of eligibility for HUD programs involving initial and periodic review of income, that applicants sign a consent form authorizing the Secretary, or

the public housing agency or owner responsible for determining eligibility or benefits to request that current or previous employers verify salary and wage information. The Social Security Act is also amended to require State unemployment insurance agencies to release wage and unemployment compensation information.

Conference Agreement

The conference agreement follows the Senate amendment modified to restrict the release of wage and unemployment compensation data only to officers and employees of the Department of Housing and Urban Development and public housing authorities. The wage and UI information may not be released to private owners. In addition, the authorization is limited to 5 years.

The requirement in the Senate amendment to permit the Secretary of Housing and Urban Development to require an individual to disclose his social security number is deleted. This provision has been enacted into law (P.L. 100-242).

3. STUDY OF ELIGIBILITY PROCESSES UNDER AFDC, MEDICAID AND FOOD STAMP PROGRAMS (SECTION 308 OF THE SENATE AMENDMENT)

Present Law

No provision.

House Bill

No provision.

Senate Amendment

The Senate amendment requires that the Department of Health and Human Services contract with the University of South Carolina College of Social Work to conduct a study of the reasons for denials and withdrawals of applications made under the AFDC, Medicaid and Food Stamp programs in South Carolina.

Conference Agreement

The conference agreement follows the House bill (i.e., no provision).

TITLE X—HOUSING AND COMMUNITY DEVELOPMENT TECHNICAL AMENDMENTS

SUBTITLE A—HOUSING ASSISTANCE

INCOME ELIGIBILITY FOR ASSISTED HOUSING

The House bill contained a provision not included in the Senate amendment directing HUD to establish a self-executing percentage for each HUD program for the eligibility of families whose income is between 50 and 80 percent of median income and to prohibit owners from skipping over lower income families on the waiting list in order to house higher income families. The Senate recedes with an amendment adding anti-skipping language to section 6(c)(4)(A) of the Housing Act of 1937, the provision establishing income-mix requirements for public housing. While the conferees affirm the principle of income mix in assisted housing projects, this

Finder's Aid
P.L. 100-647 (102 Stat. 3342) Approved November 10, 1988
"Technical and Miscellaneous Revenue Act of 1988"

<u>Subject</u>	<u>S.S. Act Section</u>	<u>P.L. Section</u>	<u>102 Stat.</u>	<u>H. Rep. 100-795</u>	<u>S. Rep. 100-445</u>	<u>H.C.Rep. 100-1104 Vol. 1</u>	<u>H.C.Rep. 100-1104 Vol. 2</u>
Modifications in the Term of Office of Public Members of the Board of Trustees of the Social Security Trust Funds	201(c)	8005(a)	3781	618-619	--	466	257
Clarification of Applicability of Government Pension Offset to Certain Federal Employees-- Treatment of Foreign Service Retirees	202(b)(4)(A)(ii)(III)	8014(a)	3790	625	--	476	264-265
Clarification of Applicability of Government Pension Offset to Certain Federal Employees-- Treatment of Foreign Service Retirees	202(c)(2)(A)(ii)(II)	8014(a)	3790	625	--	476	264-265
Substitution of Certificate of Election for Application to Establish Entitlement for Certain Reduced Widow's Insurance Benefits	202(e)(1)(C)(i)	8010(a)(2)	3788	622-623	538-539	474	261
Widow's Insurance Benefits (technical amendment)	202(e)(1)(C)(ii) Redesignated as 202(e)(1)(C)(iii)	8010(a)(1)	3788	622-623	538-539	474	261

<u>Subject</u>	<u>S.S. Act Section</u>	<u>P.L. Section</u>	<u>102 Stat.</u>	<u>H. Rep. 100-795</u>	<u>S. Rep. 100-445</u>	<u>H.C. Rep. 100-1104 Vol. 1</u>	<u>H.C. Rep. 100-1104 Vol. 2</u>
Substitution of Certificate of Election for Application to Establish Entitlement for Certain Reduced Widow's Insurance Benefits	202(e)(1)(C)(ii) New	8010(a)(2)	3788	622-623	538-539	474	261
Clarification of Applicability of Government Pension Offset to Certain Federal Employees-- Treatment of Foreign Service Retirees	202(e)(7)(A)(ii)(II)	8014(a)	3790	625	--	476	264-265
Substitution of Certificate of Election for Application to Establish Entitlement for Certain Reduced Widow's Insurance Benefits	202(e)(8) New	8010(a)(3)	3788	622-623	538-539	474	261
Substitution of Certificate of Election for Application to Establish Entitlement for Certain Reduced Widower's Insurance Benefits	202(f)(1)(C)(i)	8010(b)(2)	3788	622-623	538-539	474	261
Widower's Insurance Benefits (technical amendment)	202(f)(1)(C)(ii) Redesignated as 202(f)(1)(C)(iii)	8010(b)(1)	3788	622-623	538-539	474	261

<u>Subject</u>	<u>S.S. Act Section</u>	<u>P.L. Section</u>	<u>102 Stat.</u>	<u>H. Rep. 100-795</u>	<u>S. Rep. 100-445</u>	<u>H.C.Rep. 100-1104 Vol. 1</u>	<u>H.C.Rep. 100-1104 Vol. 2</u>
Substitution of Certificate of Election for Application to Establish Entitlement for Certain Reduced Widower's Insurance Benefits	202(f)(1)(C) (ii) New	8010(b)(2)	3788	622-623	538-539	474-475	261
Clarification of Applicability of Government Pension Offset to Certain Federal Employees-- Treatment of Foreign Service Retirees	202(f)(2)(A) (ii)(II)	8014(a)	3790	625	--	476	264-265
Substitution of Certificate of Election for Application to Establish Entitlement for Certain Reduced Widower's Insurance Benefits	202(f)(8) New	8010(b)(3)	3788	622-623	538-539	475	261
Clarification of Applicability of Government Pension Offset to Certain Federal Employees-- Treatment of Foreign Service Retirees	202(g)(4)(A) (ii)(II)	8014(a)	3790	625	--	476	264-265

<u>Subject</u>	<u>S.S. Act Section</u>	<u>P.L. Section</u>	<u>102 Stat.</u>	<u>H. Rep. 100-795</u>	<u>S. Rep. 100-445</u>	<u>H.C.Rep. 100-1104 Vol. 1</u>	<u>H.C.Rep. 100-1104 Vol. 2</u>
Denial of Benefits to Individuals Deported or Ordered Deported on the Basis of Associations with the Nazi Government of Germany during World War II	202(n)(1)	8004(a)	3780	618	537	466	256-257
Denial of Benefits to Individuals Deported or Ordered Deported on the Basis of Associations with the Nazi Government of Germany during World War II	202(n)(3) New	8004(b)	3780	618	537	466	256-257
Waiver of Benefits (technical amendment)	202(v) Redesignated as 202(v)(1)	8007(b)(1)	3782	620	--	468	258-259
Waiver of Benefits	202(v)	8007(b)(2)	3782	620	--	468	258-259
Waiver of Benefits	202(v)	8007(b)(3)	3782	620	--	468	258-259
Exemption from Social Security for Employers and Employees Who Are Both Members of Certain Religious Faiths	202(v)(2) New	8007(b)(4)	3782	620	--	468	258-259

<u>Subject</u>	<u>S.S. Act Section</u>	<u>P.L. Section</u>	<u>102 Stat.</u>	<u>H. Rep. 100-795</u>	<u>S. Rep. 100-445</u>	<u>H.C.Rep. 100-1104 Vol. 1</u>	<u>H.C.Rep. 100-1104 Vol. 2</u>
Exemption from Social Security for Employers' and Employees Who Are Both Members of Certain Religious Faiths	202(v)(3) New	8007(b)(4)	3782	620	--	468	258-259
Application of Earnings Test in Year of Individual's Death	203(f)(3)	8002(a)	3779	616-617	--	465	254-255
Application of Earnings Test in Year of Individual's Death	203(f)(3)	8002(b)(1)	3779	616-617	--	465	254-255
Application of Earnings Test in Year of Individual's Death	203(f)(3)	8002(b)(2)	3780	616-617	--	465	254-255
Requirement of Social Security Account Number as a Condition for Receipt of Social Security Benefits	205(c)(2)(B) (i)	8009(a)(1)	3787	622	538	473	260-261
Evidence, Procedure, and Certification for Payment (technical amendment)	205(c)(2)(C) (iii)	8016(a)(1)	3792	--	539	478	266
Evidence, Procedure, and Certification for Payment (technical amendment)	205(c)(2)(D) Redesignated as 205(c)(2) (E)	8008(a)(1)	3783	620-621	--	469	259

<u>Subject</u>	<u>S.S. Act Section</u>	<u>P.L. Section</u>	<u>102 Stat.</u>	<u>H. Rep. 100-795</u>	<u>S. Rep. 100-445</u>	<u>H.C. Rep. 100-1104 Vol. 1</u>	<u>H.C. Rep. 100-1104 Vol. 2</u>
Blood Donor Locator Service	205(c)(2)(D) New	8006(a)(2)	3783	620-621	--	469	259
Requirement of Social Security Account Number as a Condition for Receipt of Social Security Benefits (technical amendment)	205(c)(2)(E) Redesignated as 205(c)(2) (F)	8009(a)(2)	3787	622	538	473	260-261
Requirement of Social Security Account Number as a Condition for Receipt of Social Security Benefits	205(c)(2)(E) New	8009(a)(3)	3787	622	538	473	260-261
Rules Governing Social Security Coverage of Federal Employment	205(p)(1)	8015(a)(1)(A)	3791	625-626	--	477	265-266
Rules Governing Social Security Coverage of Federal Employment	205(p)(1)	8015(a)(1)(B)	3791	625-626	--	477	265-266
Rules Governing Social Security Coverage of Federal Employment	205(p)(1)	8015(a)(1)(C)	3791	625-626	--	477	265-266
Rules Governing Social Security Coverage of Federal Employment	205(p)(1)	8015(a)(1)(D)	3791	625-626	--	477	265-266

<u>Subject</u>	<u>S.S. Act Section</u>	<u>P.L. Section</u>	<u>102 Stat.</u>	<u>H. Rep. 100-795</u>	<u>S. Rep. 100-445</u>	<u>H.C. Rep. 100-1104 Vol. 1</u>	<u>H.C. Rep. 100-1104 Vol. 2</u>
Definition of. Wages	209(e)(8)	1011(f)(8)	3463	--	--	131	--
Definition of Wages	209(e)(9)	1011B(a)(23) (B)	3486	194-195	--	156	--
Definition of Wages--Seasonal Agricultural Laborers	209(h)(2)	8017(a)	3793	--	--	479	267
Definition of Wages	209(k)	1001(g)(4) (C)	3352	--	--	12	--
Definition of Wages (technical amendment)	209(r)	3043(a)(1)	3642	--	472-477	322	77-78
Definition of Wages (technical amendment)	209(r)	3043(a)(1)	3642	--	472-477	322	77-78
Definition of Wages (technical amendment)	209(s)	3043(a)(2)	3642	--	472-477	322	77-78
Definition of Wages	209(t) New	3043(a)(3)	3642	--	472-477	322	77-78
Definition of Wages (technical amendment)	209(2)	1011B(a)(22) (E)(1)	3486	190	--	156	--
Definition of Wages	209(3) New	1011B(a)(22) (E)(ii)	3486	190	--	156	--
Rules Governing Social Security Coverage of Federal Employment	210(a)(5)	8015(c)(1)	3792	625-626	--	478	264-265
Rules Governing Social Security Coverage of Federal Employment	210(a)(5)(H)	8015(b)(1)	3791	625-626	--	477	264-265

<u>Subject</u>	<u>S.S. Act Section</u>	<u>P.L. Section</u>	<u>102 Stat.</u>	<u>H. Rep. 100-795</u>	<u>S. Rep. 100-445</u>	<u>H.C.Rep. 100-1104 Vol. 1</u>	<u>H.C.Rep. 100-1104 Vol. 2</u>
Definition of Employment	210(a) (19)	1001(d) (2) (E)	3351	--	--	11	--
Definition of Employment	210(a) (20)	8016(a) (4) (B)	3793	--	539	479	266
Self-Employment	211(a) (7)	8016(a) (2)	3792	--	539	478	266
Self-Employment (technical amendment)	211(a) (12)	3043(b) (1)	3642	--	472-477	322	77-78
Self-Employment (technical amendment)	211(a) (13)	3043(b) (2)	3642	--	472-477	322	77-78
Exclusion from Net Earnings from Self- Employment of Income Derived by Indians from Exercise of Fishing Rights	211(a) (14) New	3043(b) (3)	3642	--	472-477	322	77-78
Self-Employment New	211(a) (14) New	1011(b) (4)	3488	--	--	158	--
Calculation of the Windfall Benefit Guarantee Amount	215(a) (7) (A)	8011(a) (1)	3789	623-624	--	475	262
Calculation of the Windfall Benefit Guarantee Amount	215(a) (7) (B) (i)	8011(a) (2)	3789	623-624	--	475	262
Primary Insurance Amount	215(a) (7) (C) (iii) Stricken	8011(a) (3)	3789	623-624	--	475	262
Primary Insurance Amount (technical amendment)	215(a) (7) (C) (iv) Redesignated as 215(a) (7) (C) (iii)	8011(a) (3)	3789	623-624	--	475	262

<u>Subject</u>	<u>S.S. Act Section</u>	<u>P.L. Section</u>	<u>102 Stat.</u>	<u>H. Rep. 100-795</u>	<u>S. Rep. 100-445</u>	<u>H.C.Rep. 100-1104 Vol. 1</u>	<u>H.C.Rep. 100-1104 Vol. 2</u>
Phaseout of Reduction in Windfall Benefits	215(a)(7)(D)	8003(a)(1)	3780	617-618	--	465	255-256
Phaseout of Reduction in Windfall Benefits	215(a)(7)(D)	8003(a)(2)	3780	617-618	--	465	255-256
Phaseout of Reduction in Windfall Benefits	215(a)(7)(D)	8003(a)(3)	3780	617-618	--	465-466	255-256
Phaseout of Reduction in Windfall Benefits	215(a)(7)(D)(i) Stricken	8003(a)(3)	3780	617-618	--	465	255-256
Phaseout of Reduction in Windfall Benefits	215(a)(7)(D)(ii) Stricken	8003(a)(3)	3780	617-618	--	465	255-256
Phaseout of Reduction in Windfall Benefits	215(a)(7)(D)(iii) Stricken	8003(a)(3)	3780	617-618	--	465	255-256
Phaseout of Reduction in Windfall Benefits	215(a)(7)(D)(iv) Stricken	8003(a)(3)	3780	617-618	--	465	255-256
Calculation of the Windfall Benefit Guarantee Amount (conforming amendment)	215(d)(5)(ii)	8011(b)	3789	623-624	--	475	262
Consolidation of Reports on Continuing Disability Reviews	221(i)(3)	8012(a)	3789	624	537	475	262-263
Continuation of Disability Benefits During Appeal	223(g)(1)(iii)	8006(1)	3781	619-620	537	475	262-263

<u>Subject</u>	<u>S.S. Act Section</u>	<u>P.L. Section</u>	<u>102 Stat.</u>	<u>H. Rep. 100-795</u>	<u>S. Rep. 100-445</u>	<u>H.C.Rep. 100-1104 Vol. 1</u>	<u>H.C.Rep. 100-1104 Vol. 2</u>
Continuation of Disability Benefits During Appeal	223(g)(3)(B)	8006(2)	3781	619-620	536-537	467	258
Disability Insurance Benefits (technical amendment)	223(h) Redesignated as 223(i)	8001(a)(1)	3778	616	--	464	254
Interim Disability Benefits in Cases of Delayed Final Decisions	223(h) New	8001(a)(2)	3778	616	--	464	254
Dependent Children of Unemployed Parents	407(b)(1)(B)(iii)(I)	8105(5)	3797	--	--	484	--
Assistant Secretary for Family Support (technical amendment)	418 Redesignated as 417	8105(7)	3798	--	--	484	--
Collection and Reporting of Child Support Enforcement Data	469	8105(6)(A)	3797	--	--	484	--
Collection and Reporting of Child Support Enforcement Data	469	8105(6)(B)	3797	--	--	484	--
Definitions--Case Review System	475(5)(C)	8104(e)	3797	--	--	483	272-273
Foster Care Independent Living Initiatives	477(a)	8104(a)(1)	3796	--	--	482	272-273

<u>Subject</u>	<u>S.S. Act Section</u>	<u>P.L. Section</u>	<u>102 Stat.</u>	<u>H. Rep. 100-795</u>	<u>S. Rep. 100-445</u>	<u>H.C.Rep. 100-1104 Vol. 1</u>	<u>H.C.Rep. 100-1104 Vol. 2</u>
Foster Care Independent Living Initiatives (technical amendment)	477(a)	8104(c)(1)	3796	--	--	483	272-273
Foster Care Independent Living Initiatives	477(a)(1)	8104(c)(2)	3796	--	--	483	272-273
Foster Care Independent Living Initiatives	477(a)(2) New	8104(c)(3)	3796	--	--	483	272-273
Foster Care Independent Living Initiatives (technical amendment)	477(a)(2)(A)	8104(d)(1)	3797	--	--	483	272-273
Foster Care Independent Living Initiatives (technical amendment)	477(a)(2)(B)	8104(d)(2)	3797	--	--	483	272-273
Foster Care Independent Living Initiatives	477(a)(2)(C) New	8104(d)(3)	3797	--	--	483	272-273
Foster Care Independent Living Initiatives	477(c)	8104(a)(2)	3796	--	--	482	272-273
Foster Care Independent Living Initiatives	477(e)(1)	8104(a)(1)	3796	--	--	482	272-273

<u>Subject</u>	<u>S.S. Act Section</u>	<u>P.L. Section</u>	<u>102 Stat.</u>	<u>H. Rep. 100-795</u>	<u>S. Rep. 100-445</u>	<u>H.C.Rep. 100-1104 Vol. 1</u>	<u>H.C.Rep. 100-1104 Vol. 2</u>
Foster Care Independent Living Initiatives	477(e)(3)	8104(f)	3797	--	--	483	272-273
Foster Care Independent Living Initiatives	477(f)	8104(b)	3796	--	--	482-483	272-273
Foster Care Independent Living Initiatives	477(g)(1)	8104(a)(3)	3796	--	--	482	272-273
Foster Care Independent Living Initiatives	477(g)(1)	8104(a)(4)	3796	--	--	482	272-273
Foster Care Independent Living Initiatives	477(g)(2)	8104(a)(5)	3796	--	--	482	272-273
Foster Care Independent Living Initiatives	477(g)(2)	8104(a)(6)	3796	--	--	482	272-273
Delay in Reporting Date for National Commission on Children	1139(d)	8201(1)	3798	--	540-541	484	274
Delay in Reporting Date for National Commission on Children	1139(d)	8201(2)	3798	--	540-541	484	274
Delay in Reporting Date for National Commission on Children	1139(e)(1) (A)	8201(3)	3798	--	540-541	484	274

<u>Subject</u>	<u>S.S. Act Section</u>	<u>P.L. Section</u>	<u>102 Stat.</u>	<u>H. Rep. 100-795</u>	<u>S. Rep. 100-445</u>	<u>H.C.Rep. 100-1104 Vol. 1</u>	<u>H.C.Rep. 100-1104 Vol. 2</u>
Delay in Reporting Date for National Commission on Children	1139(e)(4)(B)	8201(4)	3798	--	540-541	484	274
Delay in Reporting Date for National Commission on Children	1139(j)	8201(5)	3798	--	540-541	484	274
Blood Donor Locator Service	1141 New	8008(b)(1)	3784	620-621	--	469-472	259
Supplemental Security Income-- Exclusions from Income (technical amendment)	1612(b)(12)	8103(a)(1)	3795	615	540	482	271
Supplemental Security Income-- Exclusions from Income (technical amendment)	1612(b)(13)	8103(a)(2)	3795	615	540	482	271
Supplemental Security Income-- Exclusions from Income	1612(b)(14) New	8103(a)(3)	3795	615	540	482	271
Supplemental Security Income-- Exclusions from Resources (technical amendment)	1613(a)(6)	8103(b)(1)	3796	615	540	482	271
Supplemental Security Income-- Exclusions from Resources (technical amendment)	1613(a)(7)	8103(b)(2)	3796	615	540	482	271

<u>Subject</u>	<u>S. S. Act Section</u>	<u>P.L. Section</u>	<u>102 Stat.</u>	<u>H. Rep. 100-795</u>	<u>S. Rep. 100-445</u>	<u>H.C.Rep. 100-1104 Vol. 1</u>	<u>H.C.Rep. 100-1104 Vol. 2</u>
Supplemental Security Income-- Exclusions from Resources	1613(a)(8)	8103(b)(3)	3796	615	540	482	271
Supplemental Security Income-- Interim Disability Benefits in Cases of Delayed Final Decisions	1631(a)(8) New	8001(b)	3779	616	--	464-465	254
Medicare--Terms of Members of Trust Funds Board of Trustees	1817(b)	8005(a)	3781	618-619	--	466	257
Medicare--Trip Fees for Clinical Laboratories	1833(h)(3)	8421(a)	3802	--	--	488	279
Medicare--Budget Neutrality Adjustment for Certified Nurse Anesthetists	1833(1)(3) (B)	8422(a)	3802	--	--	489	279
Medicare--Terms of Members of Trust Funds Board of Trustees	1841(b)	8005(a)	3781	618-619	--	466	257
Medicare-- Physician Payment Review Commission (technical amendment)	1845(b)(2) (C)	8425(a)(1)	3803	--	--	489	279-280

<u>Subject</u>	<u>S.S. Act Section</u>	<u>P.L. Section</u>	<u>102 Stat.</u>	<u>H. Rep. 100-795</u>	<u>S. Rep. 100-445</u>	<u>H.C.Rep. 100-1104 Vol. 1</u>	<u>H.C.Rep. 100-1104 Vol. 2</u>
Medicare-- Physician Payment Review Commission (technical amendment)	1845(b)(2) (H)	8425(a)(2)	3803	--	--	490	279-280
Medicare-- Physician Payment Review Commission New	1845(b)(2) (I)	8425(a)(3)	3803	--	--	490	279-280
Medicare-- Definitions-- Outpatient Physical Therapy Services	1861(p)	8424(a)	3803	--	--	489	279
Medicare-- Definitions-- Qualified Psychologist Services	1861(ii)	8423(a)(1)	3803	--	--	489	279
Medicare-- Definitions-- Qualified Psychologist Services	1861(ii)	8423(a)(2)	3803	--	--	489	279
Medicare--Studies and Recom- mendations	1875(c)(3)	8413	3801	--	--	488	279
Medicare-- Payments to Health Maintenance Organizations and Competitive Medical Plans	1876(f)(3) Stricken	8412(a)(1)	3801	--	--	487	279
Medicare-- Plans to Health Maintenance Organizations and Competitive Medical Plans	1876(f)(4) Redesignated as 1876(f)(3)	8412(a)(1)	3801	--	--	487	279

<u>Subject</u>	<u>S.S. Act Section</u>	<u>P.L. Section</u>	<u>102 Stat.</u>	<u>H. Rep. 100-795</u>	<u>S. Rep. 100-445</u>	<u>H.C.Rep. 100-1104 Vol. 1</u>	<u>H.C.Rep. 100-1104 Vol. 2</u>
Medicare-- Extension of Disproportionate Share Provisions	1886(d)(2) (C)(iv)	8401	3798	--	--	485	277
Medicare-- Extension of Disproportionate Share Provisions	1886(d)(3) (C)(ii)(I)	8401	3798	--	--	485	277
Medicare-- Extension of Disproportionate Share Provisions	1886(d)(3) (C)(ii)(II)	8401	3798	--	--	485	277
Medicare-- Extension of Disproportionate Share Provisions	1886(d)(5) (B)(ii)(I)	8401	3798	--	--	485	277
Medicare-- Extension of Disproportionate Share Provisions	1886(d)(5) (B)(ii)(II)	8401	3798	--	--	485	277
Medicare-- Extension of Disproportionate Share Provisions	1886(d)(5) (F)(i)	8401	3798	--	--	485	277
Medicare--Payment to Hospitals for Inpatient Hospital Services	1886(d)(8) (C)	8403(a)(1) (A)	3799	--	--	485	277-278
Medicare--Payment to Hospitals for Inpatient Hospital Services	1886(d)(8)(C) Redesignated as 1886(d) (8)(D)	8403(a)(1) (B)	3799	--	--	485	277-278
Medicare--Payment to Hospitals for Inpatient Hospital Services	1886(d)(18) (C) New	8403(a)(2)	3799	--	--	485	277-278

<u>Subject</u>	<u>S.S. Act Section</u>	<u>P.L. Section</u>	<u>102 Stat.</u>	<u>H. Rep. 100-795</u>	<u>S. Rep. 100-445</u>	<u>H.C.Rep. 100-1104 Vol. 1</u>	<u>H.C.Rep. 100-1104 Vol. 2</u>
Medicaid-- Correction Relating to Medicare Buy-In	1902(a)(10) (viii)	8434(b)(1)	3805	--	--	491	284
Medicaid-- Correction Relating to Medicare Buy-In	1902(m)(4)(A)	8434(b)(2)	3805	--	--	491	284
Medicaid-- Correction Relating to Medicare Buy-In	1905(a)	8434(b)(3)	3805	--	--	491	284
Medicaid-- Correction Relating to Medicare Buy-In	1905(p)(1)(B) Stricken	8434(a)	3805	--	--	491	284
Medicaid-- Correction Relating to Medicare Buy-In (technical amendment)	1905(p)(1)(C) Redesignated as 1905(p) (1)(B)	8434(a)	3805	--	--	491	284
Medicaid-- Correction Relating to Medicare Buy-In (technical amendment)	1905(p)(1)(D) Redesignated as 1905(p)(1)(C)	8434(A)	3805	--	--	491	284
Medicaid-- Correction Relating to Medicare Buy-In	1905(p)(2)(A)	8434(b)(4)	3805	--	--	491	284
Medicaid-- Clarification of Waiver for Home and Community- Based Services for Individuals Who Would Otherwise Require Hospital or Facility Care	1915(c)(7)(A)	8437(a)(1)	3806	--	--	492	284

PUBLIC LAW 100-647—NOV. 10, 1988

**TECHNICAL AND MISCELLANEOUS
REVENUE ACT OF 1988**

Public Law 100-647
100th Congress

An Act

Nov. 10, 1988
[H.R. 4333]

To make technical corrections relating to the Tax Reform Act of 1986, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

Technical and
Miscellaneous
Revenue Act of
1988.
26 USC 1 note.

SECTION 1. SHORT TITLE; ETC.

(a) **SHORT TITLE.**—This Act may be cited as the “Technical and Miscellaneous Revenue Act of 1988”.

(b) **DEFINITIONS.**—For purposes of this Act—

(1) **1986 CODE.**—The term “1986 Code” means the Internal Revenue Code of 1986.

(2) **REFORM ACT.**—Except where incompatible with the intent, the term “Reform Act” means the Tax Reform Act of 1986.

(c) **CLERICAL AMENDMENT.**—Paragraph (29) of section 7701(a) of the 1986 Code is amended by striking out “of 1954” and inserting in lieu thereof “of 1986”.

(d) **TABLE OF CONTENTS.**—

TITLE I—TECHNICAL CORRECTIONS TO TAX REFORM ACT OF 1986

- Sec. 1001. Amendments related to title I of the Reform Act.
- Sec. 1002. Amendments related to title II of the Reform Act.
- Sec. 1003. Amendments related to title III of the Reform Act.
- Sec. 1004. Amendments related to title IV of the Reform Act.
- Sec. 1005. Amendments related to title V of the Reform Act.
- Sec. 1006. Amendments related to title VI of the Reform Act.
- Sec. 1007. Amendments related to title VII of the Reform Act.
- Sec. 1008. Amendments related to title VIII of the Reform Act.
- Sec. 1009. Amendments related to title IX of the Reform Act.
- Sec. 1010. Amendments related to title X of the Reform Act.
- Sec. 1011. Amendments related to parts I and II of subtitle A of title XI of the Reform Act.
- Sec. 1011A. Amendments related to parts III and IV of subtitle A of title XI of the Reform Act.
- Sec. 1011B. Amendments related to subtitles B and C of title XI of the Reform Act.
- Sec. 1012. Amendments related to title XII of the Reform Act.
- Sec. 1013. Amendments related to title XIII of the Reform Act.
- Sec. 1014. Amendments related to title XIV of the Reform Act.
- Sec. 1015. Amendments related to title XV of the Reform Act.
- Sec. 1016. Amendments related to title XVI of the Reform Act.
- Sec. 1017. Amendments related to title XVII of the Reform Act.
- Sec. 1018. Amendments related to title XVIII of the Reform Act.
- Sec. 1019. Effective date.

TITLE II—AMENDMENTS RELATED TO TAX PROVISIONS IN OTHER LEGISLATION

- Sec. 2001. Amendments related to Superfund Revenue Act of 1986.
- Sec. 2002. Amendments related to Harbor Maintenance Revenue Act of 1986.
- Sec. 2003. Amendments related to Omnibus Budget Reconciliation Act of 1986.
- Sec. 2004. Amendments related to the Revenue Act of 1987.
- Sec. 2005. Amendments related to Pension Protection Act and full funding limitations.
- Sec. 2006. Amendments related to section 9201 of the Omnibus Budget Reconciliation Act of 1987.

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- Sec. 3011. Failure to satisfy continuation requirements of group health plans.

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Subtitle E—Indian Fishing Rights

- Sec. 3041. Federal tax treatment of income derived by Indians from exercise of fishing rights secured by treaty, etc.
- Sec. 3042. State tax treatment of income derived by Indians from exercise of fishing rights secured by treaty, etc.
- Sec. 3043. Conforming amendments relating to old-age, survivors, and disability insurance program.
- Sec. 3044. Effective date; no inference created.

TITLE IV—EXTENSIONS AND MODIFICATIONS OF EXPIRING TAX PROVISIONS

- Sec. 4001. Extension and modification of exclusion for employer-provided education assistance.
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- Sec. 4003. Carryover of post-1987 low-income housing credit dollar amounts permitted.
- Sec. 4004. Simplification of rule where partnership holds qualified low-income building.
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(C) The following provisions of the 1986 Code are each amended by striking out “(F) or (J)” each place it appears and inserting in lieu thereof “(F), (J), or (M)”:

(i) Section 3121(b)(19).

(ii) Section 3231(e)(1).

(iii) Section 3306(c)(19).

(D) Clause (i)(I) of section 7701(b)(5)(D) of the 1986 Code is amended by striking out “subparagraph (F)” and inserting in lieu thereof “subparagraph (F) or (M)”.

(E) Section 210(a)(19) of the Social Security Act is amended by striking out “(F) or (J)” each place it appears and inserting in lieu thereof “(F), (J), or (M)”.

42 USC 410.

(e) AMENDMENT RELATED TO SECTION 131 OF THE REFORM ACT.—Subsection (f) of section 86 of the 1986 Code is amended by inserting “and” at the end of paragraph (3), by striking out paragraph (4), and by redesignating paragraph (5) as paragraph (4).

(f) AMENDMENTS RELATED TO SECTION 132 OF THE REFORM ACT.—

(1) Section 67 of the 1986 Code is amended by adding at the end thereof the following new subsection:

“(f) COORDINATION WITH OTHER LIMITATION.—This section shall be applied before the application of the dollar limitation of the last sentence of section 162(a) (relating to trade or business expenses).”

(2) Paragraph (4) of section 67(b) of the 1986 Code is amended—

(A) by striking out “deduction” and inserting in lieu thereof “deductions”, and

(B) by inserting before the comma at the end thereof “and section 642(c) (relating to deduction for amounts paid or permanently set aside for a charitable purpose)”.

(3) Subsection (e) of section 67 of the 1986 Code is amended to read as follows:

“(e) DETERMINATION OF ADJUSTED GROSS INCOME IN CASE OF ESTATES AND TRUSTS.—For purposes of this section, the adjusted gross income of an estate or trust shall be computed in the same manner as in the case of an individual, except that—

“(1) the deductions for costs which are paid or incurred in connection with the administration of the estate or trust and which would not have been incurred if the property were not held in such trust or estate, and

“(2) the deductions allowable under sections 642(b), 651, and 661, shall be treated as allowable in arriving at adjusted gross income. Under regulations, appropriate adjustments shall be made in the application of part I of subchapter J of this chapter to take into account the provisions of this section.”

(4) Subsection (c) of section 67 of the 1986 Code is amended by striking out the last sentence and inserting in lieu thereof the following: “The preceding sentence shall not apply—

“(1) with respect to cooperatives and real estate investment trusts, and

“(2) except as provided in regulations, with respect to estates and trusts.”

(g) AMENDMENTS RELATED TO SECTION 142 OF THE REFORM ACT.—

(1) Subparagraph (A) of section 274(n)(2) of the 1986 Code is amended to read as follows:

“(A) such expense is described in paragraph (2), (3), (4), (7), (8), or (9) of subsection (e).”

(2) Paragraph (2) of section 274(k) of the 1986 Code is amended to read as follows:

“(2) EXCEPTIONS.—Paragraph (1) shall not apply to—

“(A) any expense described in paragraph (2), (3), (4), (7), (8), or (9) of subsection (e), and

“(B) any other expense to the extent provided in regulations.”

(3) Clause (ii) of section 274(m)(1)(B) of the 1986 Code is amended to read as follows:

“(ii) any expense described in paragraph (2), (3), (4), (7), (8), or (9) of subsection (e).”

(4)(A) Paragraph (2) of section 274(n) of the 1986 Code is amended—

(i) by striking “or” at the end of subparagraph (C),

(ii) by striking the period at the end of subparagraph (D) and inserting “, or”, and

(iii) by adding at the end thereof the following:

“(E) in the case of an employer who pays or reimburses moving expenses of an employee, such expenses are includible in the income of the employee under section 82.

In the case of the employee, the exception of subparagraph (A) shall not apply to expenses described in subparagraph (E).”

(B) The following provisions of the 1986 Code are each amended by striking out “section 217” and inserting in lieu thereof “section 217 (determined without regard to section 274(n))”:

(i) Section 3121(a)(11).

(ii) Section 3306(b)(9).

(iii) Section 3401(a)(15).

42 USC 409.

(C) Section 209(k) of the Social Security Act is amended by striking out “section 217 of the Internal Revenue Code of 1954” and inserting in lieu thereof “section 217 of the Internal Revenue Code of 1986 (determined without regard to section 274(n) of such Code)”.

(5) Paragraphs (1) and (2) of section 274(h) of the 1986 Code are each amended by striking out “trade or business that” and inserting in lieu thereof “trade or business and that”.

Housing.

(h) AMENDMENTS RELATED TO SECTION 143 OF THE REFORM ACT.—

(1) Paragraph (5) of section 280A(c) of the 1986 Code amended by adding at the end thereof the following new sentence: “Any amount taken into account for any taxable year under the preceding sentence shall be subject to the limitation of the 1st sentence of this paragraph whether or not the dwelling unit is used as a residence during such taxable year.”

(2) Clause (ii) of section 280A(c)(5)(B) of the 1986 Code is amended by striking out “trade or business” and inserting in lieu thereof “trade or business (or rental activity)”.

(3) Section 183(e)(2) of the 1986 Code is amended by striking out “2” and inserting in lieu thereof “3 (or 2 if applicable)”.

SEC. 1002. AMENDMENTS RELATED TO TITLE II OF THE REFORM ACT.

(a) AMENDMENTS RELATED TO SECTION 201 OF THE REFORM ACT.—

(1) Subsection (d) of section 1250 of the 1986 Code is amended by striking out paragraph (11).

26 USC 7701.

(2) Subparagraph (B) of section 201(d)(14) of the Reform Act is amended by striking out “section 168(c)(2)(F)” and inserting in lieu thereof “within the meaning of section 168(c)(2)(F)”.

that the requirements of subparagraph (A)(iii) have been met with respect to such contributions.”

(5) Section 408(d) of the 1986 Code (relating to tax treatment of distributions) is amended by adding at the end thereof the following new paragraph:

“(7) SPECIAL RULES FOR SIMPLIFIED EMPLOYEE PENSIONS.—

“(A) TRANSFER OR ROLLOVER OF CONTRIBUTIONS PROHIBITED UNTIL DEFERRAL TEST MET.—Notwithstanding any other provision of this subsection or section 72(t), paragraph (1) and section 72(t)(1) shall apply to the transfer or distribution from a simplified employee pension of any contribution under a salary reduction arrangement described in subsection (k)(6) (or any income allocable thereto) before a determination as to whether the requirements of subsection (k)(6)(A)(iii) are met with respect to such contribution.

“(B) CERTAIN EXCLUSIONS TREATED AS DEDUCTIONS.—For purposes of paragraphs (4) and (5) and section 4973, any amount excludable or excluded from gross income under section 402(h) shall be treated as an amount allowable or allowed as a deduction under section 219.”

(6) Subparagraph (C) of section 404(h)(1) of the 1986 Code is amended by inserting “(or during the taxable year in the case of a taxable year described in subparagraph (A)(ii))” after “taxable year” the second place it appears.

(7) Section 1108(h) of the Reform Act is amended to read as follows: 26 USC 219 note.

“(h) EFFECTIVE DATES.—

“(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to years beginning after December 31, 1986.

“(2) INTEGRATION RULES.—Subparagraphs (D) and (E) of section 408(k)(3) of the Internal Revenue Code of 1954 (as in effect before the amendments made by this section) shall continue to apply for years beginning after December 31, 1986, and before January 1, 1989, except that employer contributions under an arrangement under section 408(k)(6) of the Internal Revenue Code of 1986 (as added by this section) may not be integrated under such subparagraphs.”

(8) Section 209(e)(8) of the Social Security Act is amended to read as follows: 42 USC 409.

“(8) under a simplified employee pension (as defined in section 408(k)(1) of such Code), other than any contributions described in section 408(k)(6) of such Code,”.

(9) Section 3401(a)(12)(C) of the 1986 Code is amended—

(A) by striking out “section 219” and inserting in lieu thereof “section 402(h) (1) and (2)”, and

(B) by striking out “a deduction” and inserting in lieu thereof “an exclusion”.

(10) Section 408(k)(8) of the 1986 Code is amended by inserting “, except that in the case of years beginning after 1988, the \$200,000 amount (as so adjusted) shall not exceed the amount in effect under section 401(a)(17)” after “section 415(d)”.

(g) AMENDMENTS RELATED TO SECTION 1111 OF THE REFORM ACT.—

(1)(A) Section 401(l)(2)(B) of the 1986 Code (defining contribution percentages) is amended by inserting “by the employer” after “contributed” each place it appears.

than paragraph (1)), the term 'wages' shall include any amount which is includible in gross income by reason of section 89."

(B) Section 3231(e) of the 1986 Code (defining compensation) is amended by adding at the end thereof the following new paragraph:

"(8) BENEFITS PROVIDED UNDER CERTAIN EMPLOYEE BENEFIT PLANS.—Notwithstanding any other paragraph of this subsection (other than paragraph (2)), the term 'compensation' shall include any amount which is includible in gross income by reason of section 89."

(C) Section 3306 of the 1986 Code (relating to definitions) is amended by adding at the end thereof the following new subsection:

"(t) BENEFITS PROVIDED UNDER CERTAIN EMPLOYEE BENEFIT PLANS.—Notwithstanding any paragraph of subsection (b) (other than paragraph (1)), the term 'wages' shall include any amount which is includible in gross income by reason of section 89."

(D) Section 3401 of the 1986 Code (relating to definitions) is amended by adding at the end thereof the following new subsection:

"(g) BENEFITS PROVIDED UNDER CERTAIN EMPLOYEE BENEFIT PLANS.—Notwithstanding any paragraph of subsection (a), the term 'wages' shall include any amount which is includible in gross income by reason of section 89."

42 USC 409.

(E) The third to last sentence of section 209 of the Social Security Act is amended—

(i) by striking out the period at the end of clause (2) and inserting in lieu thereof "or", and

(ii) by inserting after clause (2) the following new clause:

"(3) Any amount required to be included in gross income under section 89 of the Internal Revenue Code of 1986."

26 USC 3121
note.

(F) The amendments made by this paragraph shall not apply to any individual who separated from service with the employer before January 1, 1989.

Wages.

(23)(A) Sections 3121(a)(5)(G) and 3306(b)(5)(G) of the 1986 Code are each amended by inserting "if such payment would not be treated as wages without regard to such plan and it is reasonable to believe that (if section 125 applied for purposes of this section) section 125 would not treat any wages as constructively received" after "section 125)".

(B) Section 209(e)(9) of the Social Security Act is amended by inserting "if such payment would not be treated as wages without regard to such plan and it is reasonable to believe that (if section 125 applied for purposes of this section) section 125 would not treat any wages as constructively received" after "1986)".

26 USC 6039B,
6039D.

(24) Section 1151(h)(3) of the Reform Act is amended by striking out "Section 6039B(c)" and inserting in lieu thereof "Section 6039D(c)".

26 USC 89 note.

(25) Paragraph (1) of section 1151(k) of the Reform Act is amended by adding at the end thereof the following new sentence: "Notwithstanding the preceding sentence, the amendments made by subsections (e)(1) and (i)(3)(C) shall, to the extent they relate to sections 106, 162(i)(2), and 162(k) of the Internal Revenue Code of 1986, apply to years beginning after 1986."

(26) Section 1151(k) of the Reform Act is amended by adding at the end thereof the following new paragraph:

(31)(A) Section 129(d) of the 1986 Code is amended—

- (i) by striking out the last sentence of paragraph (3), and
- (ii) by inserting at the end thereof the following new paragraph:

“(8) EXCLUDED EMPLOYEES.—For purposes of paragraphs (2), (3), and (7), there shall be excluded from consideration employees who are excluded from consideration under section 89(h).”

(B) Sections 117(d)(4), 120(c)(2), 127(b)(2), 132(h)(1), and 505(b)(2) of the 1986 Code are each amended—

- (i) by striking out “may” the first place it appears and inserting in lieu thereof “shall”, and
- (ii) by striking out “may be” the second place it appears and inserting in lieu thereof “are”.

(32) Section 505(b) of the 1986 Code is amended by adding at the end thereof the following new paragraph:

“(7) \$200,000 COMPENSATION LIMIT.—A plan shall not be treated as meeting the requirements of this subsection unless under the plan the annual compensation of each employee taken into account for any year does not exceed \$200,000. The Secretary shall adjust the \$200,000 amount at the same time and in the same manner as under section 415(d).”

(33) Section 3401(a) of the 1986 Code is amended by inserting “or” at the end of paragraph (18), by striking out paragraph (19), and by redesignating paragraph (20) as paragraph (19).

(34) Section 89(l)(2) of the 1986 Code is amended by striking out “6652(l)” and inserting in lieu thereof “6652(k)”.

(b) AMENDMENTS RELATED TO SECTION 1161 OF THE REFORM ACT.—

(1) Section 162(m) of the 1986 Code (relating to special rules for health insurance costs of self-employed individuals) is amended by redesignating paragraph (4) as paragraph (5) and by inserting after paragraph (3) the following new paragraph:

“(4) DEDUCTION NOT ALLOWED FOR SELF-EMPLOYMENT TAX PURPOSES.—The deduction allowable by reason of this subsection shall not be taken into account in determining an individual's net earnings from self-employment (within the meaning of section 1402(a) for purposes of chapter 2.”

(2) Section 162(m) of the 1986 Code (relating to cross reference) as redesignated by section 1161(a) of the Reform Act, is redesignated as subsection (n).

(3) Section 162(m)(2)(A) of the 1986 Code is amended by inserting: “derived by the taxpayer from the trade or business with respect to which the plan providing the medical care coverage is established” after “401(c)”.

(4) Section 211(a) of the Social Security Act is amended by inserting after paragraph (13) the following new paragraph:

“(14) The deduction under section 162(m) (relating to health insurance costs of self-employed individuals) shall not be allowed.”

(c) AMENDMENTS RELATED TO SECTION 1163 OF THE REFORM ACT.—

(1) Paragraph (8) of section 129(e) of the 1986 Code (relating to treatment of onsite facilities) is amended—

(A) by inserting “maintained by an employer” after “onsite facility”,

(B) by inserting “of dependent care assistance provided to an employee” after “the amount”,

(C) by inserting “of the facility by a dependent of the employee” after “utilization” in subparagraph (A), and

more of the annual gross receipts of the entity is derived from fishing rights-related activities of one or more qualified Indian tribes each of which owns at least 10 percent of the equity interests in the entity, and

“(iv) substantially all of the management functions of the entity are performed by members of qualified Indian tribes.

For purposes of clause (iii), equity interests owned by a member (or the spouse of a member) of a qualified Indian tribe shall be treated as owned by the tribe.

“(B) QUALIFIED INDIAN TRIBE.—For purposes of subparagraph (A), an Indian tribe is a qualified Indian tribe with respect to an entity if such entity is engaged in a fishing rights-related activity of such tribe.

“(c) SPECIAL RULES.—

“(1) DISTRIBUTIONS FROM QUALIFIED INDIAN ENTITY.—For purposes of this section, any distribution with respect to an equity interest in a qualified Indian entity of an Indian tribe to a member of such tribe shall be treated as derived by such member from a fishing rights-related activity of such tribe to the extent such distribution is attributable to income derived by such entity from a fishing rights-related activity of such tribe.

“(2) DE MINIMIS UNRELATED AMOUNTS MAY BE EXCLUDED.—If, but for this paragraph, all but a de minimis amount—

“(A) derived by a qualified Indian tribal entity, or by an individual through such an entity, is entitled to the benefits of paragraph (1) of subsection (a), or

“(B) paid to an individual for services is entitled to the benefits of paragraph (2) of subsection (a),

then the entire amount shall be entitled to the benefits of such paragraph.”

(b) CLERICAL AMENDMENT.—The table of sections for such subchapter C is amended by adding at the end thereof the following new item:

“Sec. 7873. Income derived by Indians from exercise of fishing rights.”

SEC. 3042. STATE TAX TREATMENT OF INCOME DERIVED BY INDIANS FROM EXERCISE OF FISHING RIGHTS SECURED BY TREATY, ETC.

Section 2079 of the Revised Statutes (25 U.S.C. 71) is amended by adding at the end thereof the following new sentence: “Such treaties, and any Executive orders and Acts of Congress under which the rights of any Indian tribe to fish are secured, shall be construed to prohibit (in addition to any other prohibition) the imposition under any law of a State or political subdivision thereof of any tax on any income derived from the exercise of rights to fish secured by such treaty, Executive order, or Act of Congress if section 7873 of the Internal Revenue Code of 1986 does not permit a like Federal tax to be imposed on such income.”

SEC. 3043. CONFORMING AMENDMENTS RELATING TO COVERAGE UNDER OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE PROGRAM.

(a) EXCLUSION FROM WAGES OF INCOME DERIVED BY INDIANS FROM EXERCISE OF FISHING RIGHTS.—Section 209 of the Social Security Act (42 U.S.C. 409) is amended—

(1) in subsection (r), by striking out “or” at the end;
 (2) in subsection (s), by striking out the period and inserting in lieu thereof “; or”; and

(3) by inserting after subsection (s) the following new subsection:

“(t) Remuneration consisting of income excluded from taxation under section 7873 of the Internal Revenue Code of 1986 (relating to income derived by Indians from exercise of fishing rights).”

(b) **EXCLUSION FROM NET EARNINGS FROM SELF-EMPLOYMENT OF INCOME DERIVED BY INDIANS FROM EXERCISE OF FISHING RIGHTS.**—Section 211(a) of such Act (42 U.S.C. 411(a)) is amended—

(1) in paragraph (12), by striking out “and” at the end;
 (2) in paragraph (13), by striking out the period and inserting in lieu thereof “; and”; and

(3) by inserting after paragraph (13) the following new paragraph:

“(14) There shall be excluded income excluded from taxation under section 7873 of the Internal Revenue Code of 1986 (relating to income derived by Indians from exercise of fishing rights).”

(c) **CROSS-REFERENCES IN SECA AND FICA TO APPLICABLE INDIAN FISHING RIGHTS PROVISIONS.**—

(1) **SECA.**—Subsection (a) of section 1402 of the 1986 Code (relating to net earnings from self-employment) is amended by striking out “and” at the end of paragraph (13), by striking out the period at the end of paragraph (14) and inserting in lieu thereof “; and”, and by inserting after paragraph (14) the following new paragraph:

“(15) in the case of a member of an Indian tribe, the special rules of section 7873 (relating to income derived by Indians from exercise of fishing rights) shall apply.”

(2) **FICA.**—Subsection (a) of section 3121 of the 1986 Code (relating to wages) is amended by striking out “or” at the end of paragraph (19), by striking out the period at the end of paragraph (20) and inserting in lieu thereof “; or”, and by inserting after paragraph (20) the following new paragraph:

“(21) in the case of a member of an Indian tribe, any remuneration on which no tax is imposed by this chapter by reason of section 7873 (relating to income derived by Indians from exercise of fishing rights).”

26 USC 7873
 note.

SEC. 3044. EFFECTIVE DATE; NO INFERENCE CREATED.

(a) **EFFECTIVE DATE.**—The amendments made by this subtitle shall apply to all periods beginning before, on, or after the date of the enactment of this Act.

(b) **NO INFERENCE CREATED.**—Nothing in the amendments made by this subtitle shall create any inference as to the existence or non-existence or scope of any exemption from tax for income derived from fishing rights secured as of March 17, 1988, by any treaty, law, or Executive Order.

SEC. 7303. EARNINGS OF DISABILITY ANNUITANTS.

45 USC 231a. (a) **IN GENERAL.**—Section 2(e)(4) of the Railroad Retirement Act of 1974 is amended—

(1) by striking out “\$200 in earnings” and inserting in lieu thereof “\$400 in earnings (after deduction of disability related work expenses)”;

(2) by striking out “\$2,400” each place it appears and inserting in lieu thereof “\$4,800 (after deduction of disability related work expenses)”;

(3) by striking out “\$200” each place it appears and inserting in lieu thereof “\$400”; and

(4) by striking out “\$100” and inserting in lieu thereof “\$200”.

45 USC 231a
note.

(b) **EFFECTIVE DATE.**—The amendments made by this section shall apply with respect to months in calendar years beginning after December 31, 1988.

SEC. 7304. ALLOWANCE OF CREDIT FOR MILITARY SERVICE.

45 USC 231. (a) **IN GENERAL.**—Section 1(g)(2) of the Railroad Retirement Act of 1974 is amended by adding at the end thereof the following:

“For purposes of section 3(i)(2) of this Act, the period beginning on June 15, 1948, and ending on December 15, 1950, shall be deemed to be a war service period with respect to any individual who without intervening employment not covered by this Act rendered service as an employee to an employer under this Act in the year such individual was released from active military service or in the year immediately following such year.”

45 USC 231 note.

(b) **EFFECTIVE DATE.**—The amendment made by this section shall apply with respect to annuities accruing in months after the date of enactment of this Act.

TITLE VIII—AMENDMENTS RELATING TO SOCIAL SECURITY ACT PROGRAMS

Subtitle A—Old-Age, Survivors, and Disability Insurance and Related Provisions

SEC. 8001. INTERIM DISABILITY BENEFITS IN CASES OF DELAYED FINAL DECISIONS.

(a) **DISABILITY BENEFITS UNDER TITLE II.**—Section 223 of the Social Security Act (42 U.S.C. 423) is amended—

(1) by redesignating subsection (h) as subsection (i); and

(2) by inserting after subsection (g) the following new subsection:

“Interim Benefits in Cases of Delayed Final Decisions

“(h)(1) In any case in which an administrative law judge has determined after a hearing as provided under section 205(b) that an individual is entitled to disability insurance benefits or child’s, widow’s, or widower’s insurance benefits based on disability and the Secretary has not issued his final decision in such case within 110 days after the date of the administrative law judge’s determination, such benefits shall be currently paid for the months during the period beginning with the month preceding the month in which

such 110-day period expires and ending with the month preceding the month in which such final decision is issued.

“(2) For purposes of paragraph (1), in determining whether the 110-day period referred to in paragraph (1) has elapsed, any period of time for which the action or inaction of such individual or such individual’s representative without good cause results in the delay in the issuance of the Secretary’s final decision shall not be taken into account to the extent that such period of time exceeds 20 calendar days.

“(3) Any benefits currently paid under this title pursuant to this subsection (for the months described in paragraph (1)) shall not be considered overpayments for any purpose of this title (unless payment of such benefits was fraudulently obtained), and such benefits shall not be treated as past-due benefits for purposes of section 206(b)(1).”

(b) **BENEFITS UNDER TITLE XVI.**—Section 1631(a) of such Act (42 U.S.C. 1383(a)) is amended by adding at the end the following new paragraph:

“(8)(A) In any case in which an administrative law judge has determined after a hearing as provided in subsection (c) that an individual is entitled to benefits based on disability or blindness under this title and the Secretary has not issued his final decision in such case within 110 days after the date of the administrative law judge’s determination, such benefits shall be currently paid for the months during the period beginning with the month in which such 110-day period expires and ending with the month in which such final decision is issued.

Blind persons.

“(B) For purposes of subparagraph (A), in determining whether the 110-day period referred to in subparagraph (A) has elapsed, any period of time for which the action or inaction of such individual or such individual’s representative without good cause results in the delay in the issuance of the Secretary’s final decision shall not be taken into account to the extent that such period of time exceeds 20 calendar days.

“(C) Any benefits currently paid under this title pursuant to this paragraph (for the months described in subparagraph (A)) shall not be considered overpayments for any purposes of this title, unless payment of such benefits was fraudulently obtained.”

(c) **EFFECTIVE DATE.**—The amendments made by this section shall apply to determinations by administrative law judges of entitlement to benefits made after 180 days after the date of the enactment of this Act.

42 USC 423 note.

SEC. 8002. APPLICATION OF EARNINGS TEST IN YEAR OF INDIVIDUAL’S DEATH.

(a) **YEAR IN WHICH INDIVIDUAL WOULD HAVE ATTAINED RETIREMENT AGE BUT FOR THE INDIVIDUAL’S DEATH IN SUCH YEAR TREATED AS A YEAR THROUGHOUT WHICH THE EARNINGS TEST FOR INDIVIDUALS WHO HAVE ATTAINED RETIREMENT AGE IS APPLICABLE.**—Paragraph (3) of section 203(f) of the Social Security Act (42 U.S.C. 403(f)(3)) is amended by inserting “(or, but for the individual’s death, would have attained)” after “who has attained”.

(b) **ELIMINATION OF THE SHORT TAXABLE YEAR IN THE YEAR OF DEATH FOR PURPOSES OF THE EARNINGS TEST.**—Paragraph (3) of section 203(f) of such Act is further amended—

(1) by inserting after the first sentence the following new sentence: “For purposes of the preceding sentence, notwith-

standing section 211(e), the number of months in the taxable year in which an individual dies shall be 12.”; and
(2) in the last sentence, by striking “preceding sentence” and inserting “first sentence of this paragraph”.

(c) **EFFECTIVE DATE.**—The amendments made by this section shall apply to deaths after the date of the enactment of this Act.

42 USC 403 note. **SEC. 8003. PHASEOUT OF REDUCTION IN WINDFALL BENEFITS.**

(a) **IN GENERAL.**—Section 215(a)(7)(D) of the Social Security Act (42 U.S.C. 415(a)(7)(D)) is amended—

(1) by striking “more than 25 years of coverage” in the second sentence and inserting “more than 20 years of coverage”; and

(2) by striking “shall (if such percent is smaller than the percent specified in whichever of the following clauses applies) be deemed to be—” and inserting “shall (if such percent is smaller than the applicable percent specified in the following table) be deemed to be the applicable percent specified in the following table.”; and

(3) by striking clauses (i) through (iv) and inserting the following table:

“If the number of such individual’s years of coverage (as so defined) is:	The applicable percent is:
29.....	85 percent
28.....	80 percent
27.....	75 percent
26.....	70 percent
25.....	65 percent
24.....	60 percent
23.....	55 percent
22.....	50 percent
21.....	45 percent.”.

42 USC 415 note. (b) **EFFECTIVE DATE.**—The amendments made by subsection (a) shall apply to benefits payable for months after December 1988.

SEC. 8004. DENIAL OF BENEFITS TO INDIVIDUALS DEPORTED OR ORDERED DEPORTED ON THE BASIS OF ASSOCIATIONS WITH THE NAZI GOVERNMENT OF GERMANY DURING WORLD WAR II.

(a) **IN GENERAL.**—Section 202(n)(1) of the Social Security Act (42 U.S.C. 402(n)(1)) is amended by striking “or (18)” in the matter preceding subparagraph (A) and inserting “(18), or (19)”.

(b) **TIME OF DEPORTATION.**—Section 202(n) of such Act is further amended by adding at the end the following new paragraph:

“(3) For purposes of paragraphs (1) and (2) of this subsection, an individual against whom a final order of deportation has been issued under paragraph (19) of section 241(a) of the Immigration and Nationality Act (relating to persecution of others on account of race, religion, national origin, or political opinion, under the direction of or in association with the Nazi government of Germany or its allies) shall be considered to have been deported under such paragraph (19) as of the date on which such order became final.”.

42 USC 402 note. (c) **EFFECTIVE DATE.**—The amendments made by this section shall apply only in the case of deportations occurring, and final orders of deportation issued, on or after the date of enactment of this Act, and only to benefits for months beginning (and deaths occurring) on or after such date.

SEC. 8005. MODIFICATIONS IN THE TERM OF OFFICE OF PUBLIC MEMBERS OF THE BOARD OF TRUSTEES OF THE SOCIAL SECURITY TRUST FUNDS.

(a) **IN GENERAL.**—Sections 201(c), 1817(b), and 1841(b) of the Social Security Act (42 U.S.C. 401(c), 1395i(b), 1395t(b)(i)) are each amended by inserting after the first sentence the following: “A member of the Board of Trustees serving as a member of the public and nominated and confirmed to fill a vacancy occurring during a term shall be nominated and confirmed only for the remainder of such term. An individual nominated and confirmed as a member of the public may serve in such position after the expiration of such member’s term until the earlier of the time at which the member’s successor takes office or the time at which a report of the Board is first issued under paragraph (2) after the expiration of the member’s term.”.

(b) **EFFECTIVE DATE.**—The amendments made by this section shall apply to members of the Boards of Trustees of the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund, of the Federal Hospital Insurance Trust Fund, and of the Federal Supplementary Medical Insurance Trust Fund serving on such Boards of Trustees as members of the public on or after the date of the enactment of this Act.

42 USC 401 note.

SEC. 8006. CONTINUATION OF DISABILITY BENEFITS DURING APPEAL.

Subsection (g) of section 223 of the Social Security Act (42 U.S.C. 423(g)) is amended—

(1) in paragraph (1)(iii), by striking “June 1989” and inserting “June 1990”; and

(2) in paragraph (3)(B), by striking “January 1, 1989” and inserting “January 1, 1990”.

SEC. 8007. EXEMPTION FROM SOCIAL SECURITY FOR EMPLOYERS AND EMPLOYEES WHO ARE BOTH MEMBERS OF CERTAIN RELIGIOUS FAITHS.

(a) **EXEMPTION FROM COVERAGE UNDER SOCIAL SECURITY.**—

(1) **IN GENERAL.**—Subchapter C of chapter 21 of the Internal Revenue Code of 1986 (general provisions under Federal Insurance Contributions Act) is amended by redesignating section 3127 as section 3128, and by inserting after section 3126 the following new section:

“SEC. 3127. EXEMPTION FOR EMPLOYERS AND THEIR EMPLOYEES WHERE BOTH ARE MEMBERS OF RELIGIOUS FAITHS OPPOSED TO PARTICIPATION IN SOCIAL SECURITY ACT PROGRAMS.

“(a) **IN GENERAL.**—Notwithstanding any other provision of this chapter (and under regulations prescribed to carry out this section), in any case where—

“(1) an employer is a member of a recognized religious sect or division thereof described in section 1402(g)(1) and an adherent of established tenets or teachings of such sect or division as described in such section, and has filed and had approved under subsection (b) an application (in such form and manner, and with such official, as may be prescribed by such regulations) for an exemption from the taxes imposed by section 3111, and

“(2) an employee of such employer who is also a member of such a religious sect or division and an adherent of its established tenets or teachings has filed and had approved under

subsection (b) an identical application for exemption from the taxes imposed by section 3101, such employer shall be exempt from the taxes imposed by section 3111 with respect to wages paid to each of his employees who meets the requirements of paragraph (2) and each such employee shall be exempt from the taxes imposed by section 3101 with respect to such wages paid to him by such employer.

"(b) **APPROVAL OF APPLICATION.**—An application for exemption filed by an employer under subsection (a)(1) or by an employee under subsection (a)(2) shall be approved only if—

"(1) such application contains or is accompanied by the evidence described in section 1402(g)(1)(A) and a waiver described in section 1402(g)(1)(B),

"(2) the Secretary of Health and Human Services makes the findings (with respect to such sect or division) described in section 1402(g)(1)(C), (D), and (E), and

"(3) no benefit or other payment referred to in section 1402(g)(1)(B) became payable (or, but for section 203 or 222(b) of the Social Security Act, would have become payable) to the individual filing the application at or before the time of such filing.

"(c) **EFFECTIVE PERIOD OF EXEMPTION.**—An exemption granted under this section to any employer with respect to wages paid to any of his employees, or granted to any such employee, shall apply with respect to wages paid by such employer during the period—

"(1) commencing with the first day of the first calendar quarter, after the quarter in which such application is filed, throughout which such employer or employee meets the applicable requirements specified in subsections (a) and (b), and

"(2) ending with the last day of the calendar quarter preceding the first calendar quarter thereafter in which (A) such employer or the employee involved ceases to meet the applicable requirements of subsection (a), or (B) the sect or division thereof of which such employer or employee is a member is found by the Secretary of Health and Human Services to have ceased to meet the requirements of subsection (b)(2)."

(2) **CLERICAL AMENDMENT.**—The table of sections for such subchapter C of such Code is amended by striking the last item and inserting the following:

"Sec. 3127 Exemption for employers and their employees where both are members of religious faiths opposed to participation in Social Security Act programs.

"Sec. 3128. Short title."

(b) **CONFORMING EXEMPTION FROM ELIGIBILITY FOR BENEFITS.**—Section 202(v) of the Social Security Act (42 U.S.C. 402(v)) is amended—

(1) by inserting "(1)" after "(v)";

(2) by inserting "and subject to paragraph (3)," after "title,";

(3) by striking "waiver; except that" and all that follows and inserting "waiver."; and

(4) by adding at the end the following new paragraphs:

"(2) Notwithstanding any other provision of this title, and subject to paragraph (3), in the case of any individual who files a waiver pursuant to section 3127 of the Internal Revenue Code of 1986 and is granted a tax exemption thereunder, no benefits or other payments shall be payable under this title to him, no payments shall be made on his behalf under part A of title XVIII, and no benefits or other

payments under this title shall be payable on the basis of his wages and self-employment income to any other person, after the filing of such waiver.

"(3) If, after an exemption referred to in paragraph (1) or (2) is granted to an individual, such exemption ceases to be effective, the waiver referred to in such paragraph shall cease to be applicable in the case of benefits and other payments under this title and part A of title XVIII to the extent based on—

"(A) his wages for and after the calendar year following the calendar year in which occurs the failure to meet the requirements of section 1402(g) or 3127 on which the cessation of such exemption is based, and

"(B) his self-employment income for and after the taxable year in which occurs such failure."

(c) **CONFORMING AMENDMENTS REMOVING TIME LIMIT ON SECA EXEMPTION APPLICATIONS.**—Section 1402(g) of the Internal Revenue Code of 1986 is amended—

(1) by striking paragraphs (2) and (4); and

(2) by redesignating paragraphs (3) and (5) as paragraphs (2) and (3), respectively.

(d) **EFFECTIVE DATES.**—The amendments made by subsection (a) shall apply to wages paid after December 31, 1988. The amendments made by subsection (b) shall apply to benefits paid for (and items and services furnished in) months after December 1988. The amendments made by subsection (c) shall apply to applications for exemptions filed on or after the date of the enactment of this Act

26 USC 1402
note.

SEC. 8008. BLOOD DONOR LOCATOR SERVICE.

(a) **EXPLICIT AUTHORIZATION OF USE OF SOCIAL SECURITY ACCOUNT NUMBERS TO ASSIST IN IDENTIFICATION OF BLOOD DONORS.**—Section 205(c)(2) of the Social Security Act (42 U.S.C. 405(c)(2)) is amended—

(1) by redesignating subparagraph (D) as subparagraph (E), and

(2) by inserting after subparagraph (C) the following new subparagraph:

"(D)(i) It is the policy of the United States that—

"(I) any State (or any political subdivision of a State) and any authorized blood donation facility may utilize the social security account numbers issued by the Secretary for the purpose of identifying blood donors, and

"(II) any State (or political subdivision of a State) may require any individual who donates blood within such State (or political subdivision) to furnish to such State (or political subdivision), to any agency thereof having related administrative responsibility, or to any authorized blood donation facility the social security account number (or numbers, if the donor has more than one such number) issued to the donor by the Secretary.

"(ii) If and to the extent that any provision of Federal law enacted before the date of the enactment of this subparagraph is inconsistent with the policy set forth in clause (i), such provision shall, on and after such date, be null, void, and of no effect.

"(iii) For purposes of this subparagraph—

"(I) the term 'authorized blood donation facility' means an entity described in section 1141(h)(1)(B), and

"(II) the term 'State' includes the District of Columbia, the Commonwealth of Puerto Rico, the Virgin Islands, Guam, the

Commonwealth of the Northern Marianas, and the Trust Territory of the Pacific Islands.”.

(b) **ESTABLISHMENT OF BLOOD DONOR LOCATOR SERVICE.**—

(1) **IN GENERAL.**—Part A of title XI of such Act (42 U.S.C. 1301 et seq.) is amended by adding at the end the following new section:

“**BLOOD DONOR LOCATOR SERVICE**

“**SEC. 1141. (a) IN GENERAL.**—The Secretary shall establish and conduct a Blood Donor Locator Service, under the direction of the Commissioner of Social Security, which shall be used to obtain and transmit to any authorized person (as defined in subsection (h)(1)) the most recent mailing address of any blood donor who, as indicated by the donated blood or products derived therefrom or by the history of the subsequent use of such blood or blood products, has or may have the virus for acquired immune deficiency syndrome, in order to inform such donor of the possible need for medical care and treatment.

“(b) **PROVISION OF ADDRESS INFORMATION.**—Whenever the Secretary receives a request, filed by an authorized person (as defined in subsection (h)(1)), for the mailing address of a donor described in subsection (a) and the Secretary is reasonably satisfied that the requirements of this section have been met with respect to such request, the Secretary shall promptly undertake to provide the requested address information from—

“(1) the files and records maintained by the Social Security Administration, and

“(2) such files and records obtained pursuant to section 6103(m)(6) of the Internal Revenue Code of 1986 as the Secretary considers necessary to comply with such request.

“(c) **MANNER AND FORM OF REQUESTS.**—A request for address information under this section shall be filed in such manner and form as the Secretary shall by regulation prescribe, shall include the blood donor's social security account number, and shall be accompanied or supported by such documents as the Secretary may determine to be necessary.

“(d) **PROCEDURES AND SAFEGUARDS.**—Any authorized person shall, as a condition for receiving address information from the Blood Donor Locator Service—

“(1) establish and maintain, to the satisfaction of the Secretary, a system for standardizing records with respect to any request, the reason for such request, and the date of such request made by or of it and any disclosure of address information made by or to it,

“(2) establish and maintain, to the satisfaction of the Secretary, a secure area or place in which such address information and all related blood donor records shall be stored,

“(3) restrict, to the satisfaction of the Secretary, access to the address information and related blood donor records only to persons whose duties or responsibilities require access and to whom disclosure may be made under the provisions of this section,

“(4) provide such other safeguards which the Secretary determines (and which the Secretary prescribes in regulations) to be necessary or appropriate to protect the confidentiality of the address information and related blood donor records,

42 USC
1320b-11.

Regulations.

Records.
Classified
information.

"(5) furnish a report to the Secretary, at such time and containing such information as the Secretary may prescribe, which describes the procedures established and utilized by the authorized person for ensuring the confidentiality of address information and related blood donor records required under this subsection, and

Reports.

"(6) destroy such address information and related blood donor records, upon completion of their use in providing the notification for which the information was obtained, so as to make such information and records undisclosable.

If the Secretary determines that any authorized person has failed to, or does not, meet the requirements of this subsection, the Secretary may, after any proceedings for review established under subsection (f), take such actions as are necessary to ensure such requirements are met, including refusing to disclose address information to such authorized person until the Secretary determines that such requirements have been or will be met. In the case of any authorized person who discloses any address information received pursuant to this section or any related blood donor records to any agent, this subsection shall apply to such authorized person and each such agent (except that, in the case of an agent, any report to the Secretary or other action with respect to the Secretary shall be made or taken through such authorized person). The Secretary shall destroy all related blood donor records in the possession of the Department of Health and Human Services upon completion of their use in transmitting mailing addresses as required under subsection (a), so as to make such records undisclosable.

"(e) **ARRANGEMENTS WITH STATE AGENCIES AND AUTHORIZED PERSONS.**—The Secretary, in carrying out the Secretary's duties and functions under this section, shall enter into arrangements—

"(1) with State agencies to accept and to transmit to the Secretary requests for address information under this section and to accept and to transmit such information to authorized persons, and

"(2) with State agencies and authorized persons otherwise to cooperate with the Secretary in carrying out the purposes of this section.

"(f) **PROCEDURES FOR ADMINISTRATIVE REVIEW.**—The Secretary shall by regulation prescribe procedures which provide for administrative review of any determination that any authorized person has failed to meet the requirements of this section.

Regulations.

"(g) **UNAUTHORIZED DISCLOSURE OF INFORMATION.**—Paragraphs (1), (2), and (3) of section 7213(a) of the Internal Revenue Code of 1986 shall apply with respect to the unauthorized willful disclosure to any person of address information or related blood donor records acquired or maintained by or under the Secretary, or pursuant to this section by any authorized person, or of information derived from any such address information or related blood donor records, in the same manner and to the same extent as such paragraphs apply with respect to unauthorized disclosures of return and return information described in such paragraphs. Paragraph (4) of section 7213(a) of such Code shall apply with respect to the willful offer of any item of material value in exchange for any such address information or related blood donor record in the same manner and to the same extent as such paragraph applies with respect to offers (in exchange for any return or return information) described in such paragraph.

"(h) DEFINITIONS.—For purposes of this section—

"(1) AUTHORIZED PERSON.—The term 'authorized person' means—

"(A) any agency of a State (or of a political subdivision of a State) which has duties or authority under State law relating to the public health or otherwise has the duty or authority under State law to regulate blood donations, and

"(B) any entity engaged in the acceptance of blood donations which is licensed or registered by the Food and Drug Administration in connection with the acceptance of such blood donations, and which, in accordance with such regulations as may be prescribed by the Secretary, provides for—

"(i) the confidentiality of any address information received pursuant to this section and related blood donor records,

"(ii) blood donor notification procedures for individuals with respect to whom such information is requested and a finding has been made that they have or may have the virus for acquired immune deficiency syndrome, and

"(iii) counseling services for such individuals who have been found to have such virus.

"(2) RELATED BLOOD DONOR RECORD.—The term 'related blood donor record' means any record, list, or compilation which indicates, directly or indirectly, the identity of any individual with respect to whom a request for address information has been made pursuant to this section.

"(3) STATE.—The term 'State' includes the District of Columbia, the Commonwealth of Puerto Rico, the Virgin Islands, Guam, the Commonwealth of the Northern Marianas, and the Trust Territory of the Pacific Islands."

(2) TIME LIMIT FOR ESTABLISHMENT OF BLOOD DONOR LOCATOR SERVICE.—The Secretary of Health and Human Services shall establish the Blood Donor Locator Service pursuant to section 1141 of the Social Security Act not later than 180 days after the date of the enactment of this Act.

(c) DISCLOSURE OF TAXPAYER ADDRESSES TO BLOOD DONOR LOCATOR SERVICE.—

(1) IN GENERAL.—Subsection (m) of section 6103 of the Internal Revenue Code of 1986 (relating to disclosure of taxpayer identity information) is amended by adding at the end the following new paragraph:

"(6) BLOOD DONOR LOCATOR SERVICE.—

"(A) IN GENERAL.—Upon written request pursuant to section 1141 of the Social Security Act, the Secretary shall disclose the mailing address of taxpayers to officers and employees of the Blood Donor Locator Service in the Department of Health and Human Services.

"(B) RESTRICTION ON DISCLOSURE.—The Secretary shall disclose return information under subparagraph (A) only for purposes of, and to the extent necessary in, assisting under the Blood Donor Locator Service authorized persons (as defined in section 1141(h)(1) of the Social Security Act) in locating blood donors who, as indicated by donated blood or products derived therefrom or by the history of the subsequent use of such blood or blood products, have or may have the virus for acquired immune deficiency syndrome,

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in order to inform such donors of the possible need for medical care and treatment.

“(C) **SAFEGUARDS.**—The Secretary shall destroy all related blood donor records (as defined in section 1141(h)(2) of the Social Security Act) in the possession of the Department of the Treasury upon completion of their use in making the disclosure required under subparagraph (A), so as to make such records undisclosable.”.

(2) **SAFEGUARDS.**—

(A) **IN GENERAL.**—Paragraph (4) of section 6103(p) of such Code (relating to safeguards) is amended—

(i) in subparagraph (F)—

(I) by striking “manner; and” at the end of clause

(i) and inserting “manner,”;

(II) by adding “and” at the end of clause (ii)(III); and

(III) by inserting after clause (ii)(III) the following new clause:

“(iii) in the case of the Department of Health and Human Services for purposes of subsection (m)(6), destroy all such return information upon completion of its use in providing the notification for which the information was obtained, so as to make such information undisclosable;”;

(ii) in the last sentence, by striking “subsection (m)(2) or (4)” and inserting “subsection (m) (2), (4), or (6)”; and

(iii) by adding at the end the following new sentence: “For purposes of applying this paragraph in any case to which subsection (m)(6) applies, the term ‘return information’ includes related blood donor records (as defined in section 1141(h)(2) of the Social Security Act).”.

(B) **CONFORMING AMENDMENT.**—Paragraph (2) of section 7213(a) of such Code (relating to unauthorized disclosure of returns and return information) is amended by striking “(m) (2) or (4)” and inserting “(m) (2), (4), or (6)”.

SEC. 8009. REQUIREMENT OF SOCIAL SECURITY ACCOUNT NUMBER AS A CONDITION FOR RECEIPT OF SOCIAL SECURITY BENEFITS.

(a) **IN GENERAL.**—Section 205(c)(2) of the Social Security Act (42 U.S.C. 405(c)(2)) is amended—

(1) in subparagraph (B)(i) in the matter preceding subclause (I), by inserting “and subparagraph (E)” after “subparagraph (A)”;

(2) by redesignating subparagraph (E) (as redesignated by section 8008(a)(1)) as subparagraph (F); and

(3) by inserting after subparagraph (D) (as added by section 8008(a)(2)) the following new subparagraph:

“(E) The Secretary shall require, as a condition for receipt of benefits under this title, that an individual furnish satisfactory proof of a social security account number assigned to such individual by the Secretary or, in the case of an individual to whom no such number has been assigned, that such individual make proper application for assignment of such a number.”.

(b) **EFFECTIVE DATE.**—The amendments made by this section shall apply to benefits entitlement to which commences after the sixth month following the month in which this Act is enacted.

SEC. 8010. SUBSTITUTION OF CERTIFICATE OF ELECTION FOR APPLICATION TO ESTABLISH ENTITLEMENT FOR CERTAIN REDUCED WIDOW'S AND WIDOWER'S BENEFITS.

(a) **WIDOW'S INSURANCE BENEFITS.**—Section 202(e) of the Social Security Act (42 U.S.C. 402(e)) is amended—

(1) by redesignating paragraph (1)(C)(ii) as paragraph (1)(C)(iii);

(2) by striking paragraph (1)(C)(i) and inserting the following:

“(C)(i) has filed application for widow's insurance benefits,

“(ii) was entitled to wife's insurance benefits, on the basis of the wages and self-employment income of such individual, for the month preceding the month in which such individual died, and—

“(I) has attained retirement age (as defined in section 216(l)),

“(II) is not entitled to benefits under subsection (a) or section 223, or

“(III) has in effect a certificate (described in paragraph (8)) filed by her with the Secretary, in accordance with regulations prescribed by the Secretary, in which she elects to receive widow's insurance benefits (subject to reduction as provided in subsection (q)), or”; and

(3) by adding at the end the following new paragraph:

“(8) Any certificate filed pursuant to paragraph (1)(C)(ii)(III) shall be effective for purposes of this subsection—

“(A) for the month in which it is filed and for any month thereafter, and

“(B) for months, in the period designated by the individual filing such certificate, of one or more consecutive months (not exceeding 12) immediately preceding the month in which such certificate is filed;

except that such certificate shall not be effective for any month before the month in which she attains age 62.”.

(b) **WIDOWER'S INSURANCE BENEFITS.**—Section 202(f) of such Act (42 U.S.C. 402(f)) is amended—

(1) by redesignating paragraph (1)(C)(ii) as paragraph (1)(C)(iii);

(2) by striking paragraph (1)(C)(i) and inserting the following:

“(C)(i) has filed application for widower's insurance benefits,

“(ii) was entitled to husband's insurance benefits, on the basis of the wages and self-employment income of such individual, for the month preceding the month in which such individual died, and—

“(I) has attained retirement age (as defined in section 216(l)),

“(II) is not entitled to benefits under subsection (a) or section 223, or

“(III) has in effect a certificate (described in paragraph (8)) filed by him with the Secretary, in accordance with regulations prescribed by the Secretary, in which he elects to receive widower's insurance benefits (subject to reduction as provided in subsection (q)), or”; and

(3) by adding at the end the following new paragraph:

“(8) Any certificate filed pursuant to paragraph (1)(C)(ii)(III) shall be effective for purposes of this subsection—

“(A) for the month in which it is filed and for any month thereafter, and

“(B) for months, in the period designated by the individual filing such certificate, of one or more consecutive months (not exceeding 12) immediately preceding the month in which such certificate is filed;

except that such certificate shall not be effective for any month before the month in which he attains age 62.”

(c) **EFFECTIVE DATE.**—The amendments made by this section shall apply to benefits payable under section 202(e) or section 202(f) of the Social Security Act on the basis of the wages and self-employment income of an individual who dies after the month in which this Act is enacted.

42 USC 402 note.

SEC. 8011. CALCULATION OF THE WINDFALL BENEFIT GUARANTEE AMOUNT BASED ON PENSION AMOUNTS PAYABLE IN THE FIRST MONTH OF CONCURRENT ENTITLEMENT RATHER THAN CONCURRENT ELIGIBILITY.

(a) **IN GENERAL.**—Section 215(a)(7) of the Social Security Act (42 U.S.C. 415(a)(7)) is amended—

(1) in subparagraph (A), by striking “with respect to the initial month in which the individual becomes eligible for such benefits”;

(2) in the second sentence of subparagraph (B)(i), by striking “eligibility for old-age or disability insurance benefits” and inserting “concurrent entitlement to such monthly periodic payment and old-age or disability insurance benefits”; and

(3) in subparagraph (C), by striking clause (iii) and redesignating clause (iv) as clause (iii).

(b) **CONFORMING AMENDMENT.**—Section 215(d)(5)(ii) of such Act (42 U.S.C. 415(d)(5)(ii)) is amended by striking “his or her eligibility for old-age or disability insurance benefits” and inserting “such concurrent entitlement”.

(c) **EFFECTIVE DATE.**—The amendments made by this section shall apply to benefits based on applications filed after the month in which this Act is enacted.

42 USC 415 note.

SEC. 8012. CONSOLIDATION OF REPORTS ON CONTINUING DISABILITY REVIEWS.

(a) **IN GENERAL.**—Section 221(i)(3) of the Social Security Act (42 U.S.C. 421(i)(3)) is amended by striking “semiannually” and inserting “annually”.

(b) **EFFECTIVE DATE.**—The amendment made by this section shall apply to reports required to be submitted after the date of the enactment of this Act.

42 USC 421 note.

SEC. 8013. EXCLUSION OF EMPLOYEES SEPARATED FROM EMPLOYMENT BEFORE JANUARY 1, 1983, FROM RULE INCLUDING AS WAGES TAXABLE UNDER FICA CERTAIN PAYMENTS FOR GROUP-TERM LIFE INSURANCE.

(a) **IN GENERAL.**—Subsection (b) of section 9003 of the Omnibus Budget Reconciliation Act of 1987 (101 Stat. 1330-287) is amended by striking “December 31, 1987.” and inserting “December 31, 1987, except that such amendments shall not apply with respect to payments by the employer (or a successor of such employer) for group-term life insurance for such employer’s former employees who separated from employment with the employer on or before Decem-

26 USC 3121 note.

ber 31, 1988, to the extent that such payments are not for coverage for any such employee for any period for which such employee is employed by such employer (or a successor of such employer) after the date of such separation.”.

26 USC 3121
note.

(b) **EFFECTIVE DATE.**—The amendment made by subsection (a) shall apply as if such amendment had been included or reflected in section 9003(b) of the Omnibus Budget Reconciliation Act of 1987 at the time of its enactment.

SEC. 8014. CLARIFICATION OF APPLICABILITY OF GOVERNMENT PENSION OFFSET TO CERTAIN FEDERAL EMPLOYEES.

(a) **CLARIFICATION OF TREATMENT OF FOREIGN SERVICE RETIREES.**—Subsections (b)(4)(A)(ii)(II), (c)(2)(A)(ii)(II), (e)(7)(A)(ii)(II), (f)(2)(A)(ii)(II), and (g)(4)(A)(ii)(II) of section 202 of the Social Security Act (42 U.S.C. 402 (b)(4)(A)(ii)(II), (c)(2)(A)(ii)(II), (e)(7)(A)(ii)(II), (f)(2)(A)(ii)(II), (g)(4)(A)(ii)(II)) are each amended by striking “chapter 84 of title 5, United States Code,” and inserting “the Federal Employees’ Retirement System provided in chapter 84 of title 5, United States Code, or the Foreign Service Pension System provided in subchapter II of chapter 8 of title I of the Foreign Service Act of 1980”.

42 USC 402 note.

(b) **TREATMENT OF EMPLOYEES WHOSE FEDERAL EMPLOYMENT TERMINATED AFTER MAKING AN ELECTION INTO SOCIAL SECURITY COVERAGE BUT BEFORE THE EFFECTIVE DATE OF THE ELECTION.**—Subsections (b)(4)(A)(i), (c)(2)(A)(i), (e)(7)(A)(i), (f)(2)(A)(i), and (g)(4)(A)(i) of section 202 of the Social Security Act (42 U.S.C. 402 (b)(4)(A)(i), (c)(2)(A)(i), (e)(7)(A)(i), (f)(2)(A)(i), (g)(4)(A)(i)) shall not apply with respect to monthly periodic benefits of any individual based solely on service which was performed while in the service of the Federal Government if—

(1) such person made, before January 1, 1988, an election pursuant to law to become subject to the Federal Employees’ Retirement System provided in chapter 84 of title 5, United States Code, or the Foreign Service Pension System provided in subchapter II of chapter 8 of title I of the Foreign Service Act of 1980 (or such person made such an election on or after January 1, 1988, and before July 1, 1988, pursuant to regulations of the Office of Personnel Management relating to belated elections and correction of administrative errors (5 CFR 846.204) as in effect on the date of the enactment of this Act), and

(2) such service terminated before the date on which such election became effective.

42 USC 402 note.

(c) **EFFECTIVE DATE.**—The preceding provisions of this section (including the amendments made by subsection (a)) shall apply as if they had been included or reflected in the provisions of section 9007 of the Omnibus Budget Reconciliation Act of 1987 (101 Stat. 1330-289) at the time of its enactment.

SEC. 8015. AMENDMENTS TO RULES GOVERNING SOCIAL SECURITY COVERAGE OF FEDERAL EMPLOYMENT.

(a) **CLARIFICATION OF AUTHORITY TO MAKE DETERMINATIONS CONCERNING THE SOCIAL SECURITY COVERAGE OF FEDERAL EMPLOYEES.**—

(1) **AMENDMENTS TO THE SOCIAL SECURITY ACT.**—Section 205(p)(1) of the Social Security Act (42 U.S.C. 405(p)(1)) is amended—

(A) by striking "whether an individual has performed such service, the periods of such service," in the first sentence;

(B) by striking "which constitute wages under the provisions of section 209" in the first sentence;

(C) by striking "wages were" in the first sentence and inserting "remuneration was"; and

(D) by adding at the end the following new sentence: "Nothing in this paragraph shall be construed to affect the Secretary's authority to determine under sections 209 and 210 whether any such service constitutes employment, the periods of such employment, and whether remuneration paid for any such service constitutes wages."

(2) AMENDMENTS TO FICA.—Section 3122 of the Internal Revenue Code of 1986 (relating to Federal service) is amended—

(A) by striking "the determination whether an individual has performed service which constitutes employment as defined in section 3121(b)," in the first sentence;

(B) by striking "which constitutes wages as defined in section 3121(a)" in the first sentence; and

(C) by inserting after the first sentence the following new sentence: "Nothing in this paragraph shall be construed to affect the Secretary's authority to determine under subsections (a) and (b) of section 3121 whether any such service constitutes employment, the periods of such employment, and whether remuneration paid for any such service constitutes wages."

(3) EFFECTIVE DATE.—The amendments made by paragraphs (1) and (2) shall apply to determinations relating to service commenced in any position on or after the date of the enactment of this Act.

26 USC 3122
note.

(b) CLARIFICATION OF TREATMENT OF SERVICE COVERED UNDER THE FOREIGN SERVICE PENSION SYSTEM.—

(1) AMENDMENT TO THE SOCIAL SECURITY ACT.—Subparagraph (H) of section 210(a)(5) of the Social Security Act (42 U.S.C. 410(a)(5)(H)) is amended to read as follows:

"(H) service performed by an individual—

"(i) on or after the effective date of an election by such individual, under section 301 of the Federal Employees' Retirement System Act of 1986 or section 307 of the Central Intelligence Agency Retirement Act of 1964 for Certain Employees, to become subject to the Federal Employees' Retirement System provided in chapter 84 of title 5, United States Code, or

"(ii) on or after the effective date of an election by such individual, under regulations issued under section 860 of the Foreign Service Act of 1980, to become subject to the Foreign Service Pension System provided in subchapter II of chapter 8 of title I of such Act."

(2) AMENDMENT TO FICA.—Subparagraph (H) of section 3121(b)(5) of the Internal Revenue Code of 1986 (relating to employment) is amended to read as follows:

"(H) service performed by an individual—

"(i) on or after the effective date of an election by such individual, under section 301 of the Federal Employees' Retirement System Act of 1986 or section 307 of the Central Intelligence Agency Retirement Act

of 1964 for Certain Employees, to become subject to the Federal Employees' Retirement System provided in chapter 84 of title 5, United States Code, or

"(ii) on or after the effective date of an election by such individual, under regulations issued under section 860 of the Foreign Service Act of 1980, to become subject to the Foreign Service Pension System provided in subchapter II of chapter 8 of title 1 of such Act;"

26 USC 3121
note.

(3) **EFFECTIVE DATE.**—The amendments made by this subsection shall apply as if such amendments had been included or reflected in section 304 of the Federal Employees' Retirement System Act of 1986 (100 Stat. 606) at the time of its enactment.

(c) CONTINUATION OF SOCIAL SECURITY COVERAGE OF FEDERAL SERVICE AFTER ANY INITIAL COVERAGE OF SUCH SERVICE.—

(1) **AMENDMENT TO THE SOCIAL SECURITY ACT.**—Paragraph (5) of section 210(a) of the Social Security Act (42 U.S.C. 410(a)(5)) is amended, in the matter following subparagraph (B)(ii), by inserting after "with respect to" the following: "any such service performed on or after any date on which such individual performs".

(2) **AMENDMENT TO FICA.**—Paragraph (5) of section 3121(b) of the Internal Revenue Code of 1986 (relating to employment) is amended, in the matter following subparagraph (B)(ii), by inserting after "with respect to" the following: "any such service performed on or after any date on which such individual performs".

26 USC 3121
note.

(3) **EFFECTIVE DATE.**—The amendments made by this subsection shall apply to any individual only upon the performance by such individual of service described in subparagraph (C), (D), (E), (F), (G), or (H) of section 210(a)(5) of the Social Security Act (42 U.S.C. 410(a)(5)) on or after the date of the enactment of this Act.

SEC. 8016. TECHNICAL CORRECTIONS IN OASDI PROVISIONS.

42 USC 405.

(a) **TECHNICAL CORRECTIONS.**—(1) Section 205(c)(2)(C)(iii) of the Social Security Act is amended by striking "the Social Security Act" and inserting "this Act".

42 USC 411.

(2) Section 211(a)(7) of such Act (as amended by section 9023(b)(1) of Public Law 100-203) is amended by inserting "of the Internal Revenue Code of 1986" before the semicolon at the end.

(3)(A) Subsection (d) of section 3121 of the Internal Revenue Code of 1986 (as amended by section 9002(b)(2) of Public Law 99-509) is amended—

(i) by redesignating paragraph (3) as paragraph (4), by striking "; or" at the end of such paragraph and inserting a period, and by moving such paragraph (as so redesignated and amended) to the end of the subsection; and

(ii) by redesignating paragraph (4) as paragraph (3), and by striking the period at the end and inserting "; or".

(B) Section 3306(i) of such Code (as amended by section 9002(b)(2) of Public Law 99-509) is amended by striking "paragraph (3) and subparagraphs (B) and (C) of paragraph (4)" and inserting "paragraph (4) and subparagraphs (B) and (C) of paragraph (3)".

26 USC 3121.

(4) Section 13303(c)(2) of Public Law 99-272 is amended—

(A) by striking "312(b)" and inserting "3121(b)";

(B) by striking "is amended" and inserting " , and paragraph (20) of section 210(a) of the Social Security Act, are each amended"; and 42 USC 410.

(C) by striking "after 'service' " and inserting "before 'performed' ". 26 USC 3121; 42 USC 410.

(5) Section 9006(b)(1) of Public Law 100-203 is amended by striking "3111(a)" and inserting "3111". 26 USC 3111.

(b) **EFFECTIVE DATE.**—(1) Except as provided in paragraph (2), the amendments made by this section shall be effective on the date of the enactment of this Act. 26 USC 3111 note.

(2) Any amendment made by this section to a provision of a particular Public Law which is referred to by its number, or to a provision of the Social Security Act or the Internal Revenue Code of 1986 as added or amended by a provision of a particular Public Law which is so referred to, shall be effective as though it had been included or reflected in the relevant provisions of that Public Law at the time of its enactment.

SEC. 8017. CERTAIN CASH WAGES PAID TO SEASONAL AGRICULTURAL LABORERS EXCLUDED FROM OASDI COVERAGE.

(a) **SOCIAL SECURITY ACT AMENDMENT.**—Paragraph (2) of section 209(h) of the Social Security Act is amended to read as follows: 42 USC 409.

"(2) Cash remuneration paid by an employer in any calendar year to an employee for agricultural labor unless—

"(A) the cash remuneration paid in such year by the employer to the employee for such labor is \$150 or more, or

"(B) the employer's expenditures for agricultural labor in such year equal or exceed \$2,500,

except that subparagraph (B) shall not apply in determining whether remuneration paid to an employee constitutes 'wages' under this section if such employee (i) is employed as a hand harvest laborer and is paid on a piece rate basis in an operation which has been, and is customarily and generally recognized as having been, paid on a piece rate basis in the region of employment, (ii) commutes daily from his permanent residence to the farm on which he is so employed, and (iii) has been employed in agriculture less than 13 weeks during the preceding calendar year;".

(b) **FICA AMENDMENT.**—Subparagraph (B) of section 3121(a)(8) of the 1986 Code (relating to wages) is amended to read as follows:

"(B) cash remuneration paid by an employer in any calendar year to an employee for agricultural labor unless—

"(i) the cash remuneration paid in such year by the employer to the employee for such labor is \$150 or more, or

"(ii) the employer's expenditures for agricultural labor in such year equal or exceed \$2,500,

except that clause (ii) shall not apply in determining whether remuneration paid to an employee constitutes 'wages' under this section if such employee (I) is employed as a hand harvest laborer and is paid on a piece rate basis in an operation which has been, and is customarily and generally recognized as having been, paid on a piece rate basis in the region of employment, (II) commutes daily from his permanent residence to the farm on which he is so employed, and (III) has been employed in agriculture less than 13 weeks during the preceding calendar year;".

26 USC 3121
note.

(c) **EFFECTIVE DATE.**—The amendments made by this section shall take effect as if included in the amendments made by section 9002 of the Omnibus Budget Reconciliation Act of 1987.

26 USC 3121
note.

SEC. 8018. CERTAIN EMPLOYER PENSION CONTRIBUTIONS NOT INCLUDED IN FICA WAGE BASE.

In the case of any State (within the meaning of section 3121(e)(1) of the Internal Revenue Code of 1986) or political subdivision thereof which received a letter ruling of the Internal Revenue Service issued after December 31, 1983, and before the date of the enactment of this Act maintaining that any amount treated as an employer contribution under section 414(h)(2) of the Internal Revenue Code of 1986 is excluded from the definition of "wages" for purposes of tax liability under section 3121(v)(1)(B) of such Code, such State or political subdivision shall be relieved of any liability for taxes under such section 3121(v)(1)(B) which, in good faith reliance on such letter ruling, were not paid and which would otherwise have been required to be paid (but for this section) on or before the earlier of the date of the enactment of this Act or the date of the receipt of a notice of revocation from the Internal Revenue Service of such letter ruling.

AIDS.

SEC. 8019. REPORTS REGARDING CERTAIN DISABILITY-RELATED BENEFITS.

(a) **ELIGIBILITY FOR BENEFITS.**—Not later than 180 days after the date of the enactment of this Act, the Secretary of Health and Human Services shall submit to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate a report providing information on—

(1) the number of individuals with the complex related to acquired immune deficiency syndrome (hereinafter in this section referred to as "AIDS-related complex") who have made application for disability-related benefits under titles II and XVI of the Social Security Act during fiscal years 1988, 1987, and, to the extent feasible, 1986;

(2) the number of such applications approved, denied (by reason of denial), and reversed upon appeal;

(3) the rates of allowance and denial of such applications by State and region, to the extent feasible;

(4) the criteria, guidelines, or other information used to determine eligibility (including copies of the documents setting forth such criteria, guidelines, and information) including information about any changes in criteria that are under consideration;

(5) the total costs of disability-related benefits provided to individuals with AIDS-related complex during fiscal years 1988, 1987, and to the extent feasible, 1986; and

(6) to the extent available, the projected number of such applications that will likely be approved and denied and the estimated costs of such benefits for the next 3 fiscal years.

(b) **COORDINATION OF FEDERAL AND STATE DISABILITY PROGRAMS.**—Not later than 180 days after the date of the enactment of this Act, the Secretary of Health and Human Services shall submit to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate a report describing what arrangements, if any, now exist to provide for coordination between the Social Security Administration and State disability agencies with respect to the provision of disability-related benefits under titles II and XVI of the Social Security Act and State disability

insurance programs to individuals with acquired immune deficiency syndrome or AIDS-related complex and to make such individuals applying for any such benefits aware of the full range of Federal and State disability-related benefits for which such individuals may be eligible.

Subtitle B—Public Assistance Provisions

SEC. 8101. EXTENSION OF PROHIBITION AGAINST IMPLEMENTATION OF CERTAIN PROPOSED REGULATIONS.

Section 9118 of the Omnibus Budget Reconciliation Act of 1987 (42 U.S.C. 1383c) is amended by striking "October 1, 1988" and inserting "September 30, 1989".

SEC. 8102. REVIEW OF POLICY GOVERNING USE OF AFDC FUNDS TO MEET EMERGENCY NEEDS OF FAMILIES ELIGIBLE FOR AFDC THROUGH EMERGENCY ASSISTANCE OR SPECIAL NEEDS PAYMENTS; REPORT TO CONGRESS.

(a) **REVIEW OF POLICY.**—The Secretary of Health and Human Services shall review the policies in effect, as of the date of the enactment of this section, with respect to the use by States of amounts paid to such States under the program of aid to families with dependent children under part A of title IV of the Social Security Act, in the form of payments of aid to meet special needs or emergency assistance under section 406(e) of such Act to meet emergency needs of families who are eligible for such aid.

(b) **REPORT TO CONGRESS.**—Not later than July 1, 1989, the Secretary of Health and Human Services shall submit to the Congress a report containing recommendations for legislative and regulatory changes designed to—

(1) improve the ability of the program of aid to families with dependent children under part A of title IV of the Social Security Act to respond to emergency needs of families who are eligible for such aid; and

(2) eliminate the use of funds provided to States under such program to pay for the provision of shelter in commercial or similar transient facilities.

SEC. 8103. DISREGARD OF CERTAIN HOUSING ASSISTANCE PAYMENTS IN DETERMINING INCOME AND RESOURCES UNDER SSI PROGRAM.

(a) **INCOME.**—Section 1612(b) of the Social Security Act is amended— 42 USC 1382a.

(1) by striking "and" after the semicolon at the end of paragraph (12);

(2) by striking the period at the end of paragraph (13) and inserting "; and"; and

(3) by adding after paragraph (13) the following new paragraph:

"(14) assistance paid, with respect to the dwelling unit occupied by such individual (or such individual and spouse), under the United States Housing Act of 1937, the National Housing Act, section 101 of the Housing and Urban Development Act of 1965, title V of the Housing Act of 1949, or section 202(h) of the Housing Act of 1959."

(b) **RESOURCES.**—Section 1613(a) of such Act is amended—

42 USC 1382b.

(1) by striking "and" after the semicolon at the end of paragraph (6);

(2) by striking the period at the end of paragraph (7) and inserting "; and"; and

(3) by inserting after paragraph (7) the following new paragraph:

"(8) the value of assistance referred to in section 1612(b)(14), paid with respect to the dwelling unit occupied by such individual (or such individual and spouse)."

(c) **EFFECTIVE DATE.**—The amendments made by this section shall be effective as though they had been included in section 162 of the Housing and Community Development Act of 1987 at the time of its enactment.

SEC. 8104. FOSTER CARE INDEPENDENT LIVING INITIATIVES.

(a) **EXTENSION OF INDEPENDENT LIVING PROGRAM.**—Section 477 of the Social Security Act (42 U.S.C. 677) is amended—

(1) by striking "1987 and 1988" in subsections (a) and (e)(1) and inserting "1987, 1988, and 1989";

(2) by striking "for fiscal year 1988" and all that follows in subsection (c) and inserting "for the fiscal year 1988 or 1989, such description and assurances must be submitted prior to February 1 of such fiscal year";

(3) by striking "Not later than March 1, 1988" in subsection (g)(1) and inserting "Not later than the first January 1 following the end of each fiscal year";

(4) by inserting "during such fiscal year" in subsection (g)(1) after "carried out";

(5) by striking "(2) Not later than July 1, 1988," in subsection (g)(2) and inserting the following:

"(2)(A) Not later than July 1, 1988, the Secretary shall submit an interim report on the activities carried out under this section.

"(B) Not later than March 1, 1989,"; and

(6) by striking "fiscal year 1987" in subsection (g)(2) and inserting "fiscal years 1987 and 1988".

(b) **PERMISSION TO EXPEND UNOBLIGATED FUNDS APPROPRIATED FOR 1987 IN 1989.**—Subsection (f) of section 477 of such Act (42 U.S.C. 677(f)) is amended by inserting after and below paragraph (3) the following:

"Notwithstanding paragraph (3), payments made to a State under this section for the fiscal year 1987 and unobligated may be expended by such State in the fiscal year 1989."

(c) **INCLUSION IN INDEPENDENT LIVING PROGRAM OF NON-AFDC FOSTER CARE CHILDREN.**—Subsection (a) of section 477 of such Act (42 U.S.C. 677(a)) is amended—

(1) by inserting "(1)" before "Payments";

(2) by striking "children" and all that follows through "age 16," and inserting "children described in paragraph (2) who have attained age 16"; and

(3) by adding at the end the following new paragraph:

"(2) A program established and carried out under paragraph (1)—

"(A) shall be designed to assist children with respect to whom foster care maintenance payments are being made by the State under this part, and

"(B) may at the option of the State also include any or all other children in foster care under the responsibility of the State."

(d) **INCLUSION IN INDEPENDENT LIVING PROGRAM OF CERTAIN FORMER FOSTER CARE CHILDREN.**—Paragraph (2) of section 477(a) of the Social Security Act (42 U.S.C. 677(a)(2)) (as added by subsection (c) of this section) is further amended—

(1) by striking “and” in subparagraph (A);
 (2) by striking the period at the end of subparagraph (B) and inserting “, and”; and

(3) by adding at the end the following new subparagraph:
 “(C) may at the option of the State also include any child to whom foster care maintenance payments were previously made by a State under this part and whose payments were discontinued on or after the date such child attained age 16, and any child who previously was in foster care described in subparagraph (B) and for whom such care was discontinued on or after the date such child attained age 16, but such child may not be so included after the end of the 6-month period beginning on the date of discontinuance of such payments or care; and a written transitional independent living plan of the type described in subsection (d)(6) shall be developed for such child as a part of such program.”.

(e) **DETERMINATION OF SERVICES NEEDED FOR TRANSITION TO INDEPENDENT LIVING.**—Subparagraph (C) of section 475(5) of such Act (42 U.S.C. 675(5)(C)) is amended by inserting “and, in the case of a child who has attained age 16, the services needed to assist the child to make the transition from foster care to independent living” before the semicolon.

(f) **LIMITATION ON USE OF FUNDS.**—Paragraph (3) of section 477(e) of such Act (42 U.S.C. 677(e)(3)) is amended by adding at the end the following: “Amounts payable under this section may not be used for the provision of room or board.”.

(g) **EFFECTIVE DATES.**—(1) The amendments made by subsections (a), (b), and (e) shall take effect on October 1, 1988.

42 USC 677 note.

(2) The amendments made by subsections (c), (d), and (f) shall take effect on the date of the enactment of this Act.

SEC. 8105. TECHNICAL CORRECTIONS TO FAMILY SUPPORT ACT OF 1988.

Effective on the date of the enactment of the Family Support Act of 1988—

(1) section 401(c)(1) of such Act is amended by inserting “(as amended by paragraph (4)(B) of this subsection)” before “is amended—”;

42 USC 607.

(2) section 401(c)(4)(B) of such Act is amended by striking “(as amended by paragraph (1) of this subsection)”;

(3) section 202(b) of such Act is amended by striking paragraph (10);

42 USC 607.

(4) section 111(e)(1) of such Act is amended by striking “before” and inserting in lieu thereof “after”;

42 USC 666.

(5) section 407(b)(1)(B)(iii)(I) of the Social Security Act (as amended by section 202(b)(8)(A) of the Family Support Act of 1988 and redesignated by section 401(b)(1) of that Act) is amended by striking “409(a)(19)(A)” and inserting in lieu thereof “402(a)(19)(A)”;

42 USC 607.

(6) section 469 of the Social Security Act (as added by section 129 of the Family Support Act of 1988) is amended—

42 USC 669.

(A) by striking “of title IV of the Social Security Act”;

and

(B) by striking “of title IV of such Act”; and

42 USC 617.

(7) section 418 of the Social Security Act (as added by section 603(a) of the Family Support Act of 1988) is redesignated as section 417.

Subtitle C—National Commission on Children

SEC. 8201. DELAY IN REPORTING DATE FOR NATIONAL COMMISSION ON CHILDREN.

Section 1139 of the Social Security Act (42 U.S.C. 1320b-9) is amended—

- (1) by striking “September 30, 1988” in subsection (d) and inserting “March 31, 1990”;
- (2) by striking “March 31, 1989” in subsection (d) and inserting “September 30, 1990”;
- (3) by striking “March 31, 1989” in subsection (e)(1)(A) and inserting “September 30, 1990”;
- (4) by striking “March 31, 1989” in subsection (e)(4)(B) and inserting “September 30, 1990”; and
- (5) by inserting “for each of fiscal years 1989 and 1990” after “section” in subsection (j).

Subtitle D—Unemployment Compensation

SEC. 8301. SELF-EMPLOYMENT DEMONSTRATION PROJECT.

Section 9152(g) of the Omnibus Budget Reconciliation Act of 1987 (Public Law 100-203) is amended—

- (1) in paragraph (1), by striking “two” in the first sentence and inserting “three”; and
- (2) in paragraph (2), by striking “four” and inserting “six”.

26 USC 3304
note.

Subtitle E—Medicare and Medicaid

PART I—PROVISIONS RELATING TO PART A OF MEDICARE

SEC. 8401. EXTENSION OF DISPROPORTIONATE SHARE PROVISIONS.

Paragraphs (2)(C)(iv), (3)(C)(ii)(I), (3)(C)(ii)(II), (5)(B)(ii)(I), (5)(B)(ii)(II), and (5)(F)(i) of section 1886(d) of the Social Security Act (42 U.S.C. 1395ww(d)) are each amended by striking “1990” and inserting “1995”.

SEC. 8402. MAINTENANCE OF BAD DEBT COLLECTION POLICY.

Effective as of the date of the enactment of the Omnibus Budget Reconciliation Act of 1987, section 4008(c) of such Act is amended by inserting after “reasonable collection effort” the following: “, including criteria for indigency determination procedures, for record keeping, and for determining whether to refer a claim to an external collection agency”.

SEC. 8403. APPLICATION OF WAGE INDICES IN CASE OF AREAS AFFECTED BY SECTION 4005(A)(1) OF OBRA OF 1987.

(a) COMPUTATION OF INDICES FOR FISCAL YEARS 1990 AND 1991.—Section 1886(d)(8) of the Social Security Act (42 U.S.C. 1395ww(d)(8)) is amended—

Records.
42 USC 1395f
note.

(1) in subparagraph (C)—

(A) by striking “subparagraph (B)” each place it appears and inserting “subparagraphs (B) and (C)”, and

(B) by redesignating such subparagraph as subparagraph (D); and

(2) by inserting after subparagraph (B) the following new subparagraph:

“(C)(i) If the application of subparagraph (B), by treating hospitals located in a rural county or counties as being located in an urban area, reduces the wage index for that urban area (as applied under this subsection), the Secretary shall calculate and apply such wage index under this subsection separately to hospitals located in such urban area (excluding all the hospitals so treated) and to the hospitals so treated (as if each affected rural county were a separate urban area). If the application of subparagraph (B), by treating the hospitals located in a rural county or counties as not being located in the rural area in a State, reduces the wage index for that rural area (as applied under this subsection), the Secretary shall calculate and apply such wage index under this subsection as if the hospitals so treated had not been excluded from calculation of the wage index for that rural area.

Health care
facilities.
Rural areas.
Urban areas.

“(ii) Clause (i) shall only apply to discharges occurring on or after October 1, 1989, and before October 1, 1991.”

(b) HHS REPORT ON ADJUSTMENT OF HOSPITAL WAGE INDICES FOR FISCAL YEAR 1989.—

(1) The Secretary of Health and Human Services shall report to the Congress, not later than 60 days after the date of the enactment of this Act, on alternative methods for reimbursement under section 1886(d) of the Social Security Act to hospitals located in affected areas described in paragraph (2) for hospital discharges occurring in fiscal year 1989 that would result in aggregate payments under title XVIII of such Act to hospitals in such areas in an amount no less than would have been paid without the enactment of the amendments made by section 4005(a)(1) of the Omnibus Budget Reconciliation Act of 1987. In reporting concerning alternative methods, the Secretary shall consider both legislative and administrative actions that would result in an aggregate increase in payments under such title and legislative and administrative actions that would not result in such an aggregate increase.

(2) An affected area described in this paragraph is an area for which the area wage index for fiscal year 1989 (described in section 1886(d)(3)(E) of the Social Security Act) was reduced below the amount otherwise applicable as a result of the amendments made by section 4005(a)(1) of the Omnibus Budget Reconciliation Act of 1987.

(c) PROSPECTIVE PAYMENT STUDY AND REPORT.—The Prospective Payment Assessment Commission shall study and make a report to Congress within 9 months after the date of the enactment of this Act on the appropriate payment for hospitals affected by subparagraphs (B) and (C) of section 1886(d)(8) of the Social Security Act (as amended by subsection (a) of this section) and the appropriate treatment of the wage and wage-related costs of such hospitals in computing area wage indices.

SEC. 8404. DEMONSTRATION PROJECTS WITH RESPECT TO CHRONIC VENTILATOR-DEPENDENT UNITS IN HOSPITALS.

42 USC 1395b-1 note. (a) **IN GENERAL.**—Section 429(a) of the Medicare Catastrophic Coverage Act of 1988 is amended by striking “up to” each place it appears and inserting “at least”.

42 USC 1395b-1 note. (b) **EFFECTIVE DATE.**—The amendment made by subsection (a) shall take effect as if included in the Medicare Catastrophic Coverage Act of 1988.

42 USC 1395ww note. **SEC. 8405. ELECTION OF PERSONNEL POLICY FOR PROPAC EMPLOYEES.**

With respect to employees of the Prospective Payment Assessment Commission hired before December 22, 1987, such employees shall have the option to elect within 60 days of the date of enactment of this Act to be covered under either the personnel policy in effect with respect to such employees before December 22, 1987, or under the employees coverage provided under the last sentence of section 1886(e)(6)(D) of the Social Security Act.

PART II—RELATING TO PARTS A AND B OF MEDICARE PROGRAM

42 USC 1395b-1 note. **SEC. 8411. TREATMENT OF CERTAIN NURSING EDUCATION PROGRAMS.**

(a) **DEMONSTRATION OF JOINT NURSING GRADUATE EDUCATION PROGRAMS.**—

(1) The Secretary of Health and Human Services shall provide for demonstration programs under this subsection in each of 5 hospitals for cost reporting periods beginning on or after July 1, 1989, and before July 1, 1994.

(2) Under each demonstration project, subject to paragraph (4), the reasonable costs incurred by a hospital pursuant to a written agreement with an educational institution for the activities described in paragraph (3) conducted as part of an approved educational program that—

(A) involves a substantial clinical component (as determined by the Secretary), and

(B) leads to a master's or doctoral degree in nursing, shall be allowable as reasonable costs under title XVIII of the Social Security Act and reimbursed under such title on the same basis as if they were allowable direct costs of a hospital-operated approved educational program (other than an approved graduate medical education program).

(3) The activities described in this paragraph are the activities for which the reasonable costs of conducting such activities are allowable under title XVIII of the Social Security Act if conducted under a hospital-operated approved educational program (other than an approved graduate medical education program), but only to the extent such activities are directly related to the operation of the educational program conducted pursuant to the written agreement between the hospital and the educational institution.

(4) The amount paid under a demonstration program under this subsection to a hospital for a cost reporting period may not exceed \$200,000.

(5) The Secretary shall report to Congress, by not later than January 1, 1995, on the demonstration programs conducted

Reports.

under this subsection and on the supply and characteristics of nurses trained under such programs.

(b) **JOINT UNDERGRADUATE EDUCATION PROGRAM.**—In the case of a hospital which (1) was paid under a waiver under section 402 of the Social Security Amendments of 1967 and section 222 of the Social Security Amendments of 1972, which waiver expired on September 30, 1985, and (2) during its cost reporting period beginning in fiscal year 1985 and for each subsequent cost reporting period, has been and is associated with, and has incurred and incurs substantial costs with respect to, a nursing college with which it has shared and shares common directors, educational activities of the nursing college shall be considered to be educational activities operated directly by such hospital for purposes of title XVIII of the Social Security Act, and shall be allowable as reasonable costs under such title and reimbursed under such title on the same basis as if they were allowable direct costs of a hospital-operated approved educational program (other than an approved graduate medical education program), for hospital cost reporting periods beginning in fiscal years 1989, 1990, and 1991.

Health care facilities.

SEC. 8412. ELIMINATION OF WAIVERS OF 50:50 RULE FOR HMO ENROLLMENT.

(a) **IN GENERAL.**—

(1) Section 1876(f) of the Social Security Act (42 U.S.C. 1395mm(f)), as amended by section 4018(a) of the Omnibus Budget Reconciliation Act of 1987, is amended by striking paragraph (3) and by redesignating paragraph (4) as paragraph (3).

(2) Subsection (c) of section 4018 of the Omnibus Budget Reconciliation Act of 1987 is repealed.

(b) **EFFECTIVE DATE.**—The amendments made by subsection (a) shall not apply to contracts in effect on the date of the enactment of this Act or extensions (not exceeding 90 days) thereof.

101 Stat.
1330-66.
42 USC 1395mm
note.

SEC. 8413. INCREASE IN AUTHORIZATION FOR THE PATIENT OUTCOME ASSESSMENT RESEARCH PROGRAM.

Section 1875(c)(3) of the Social Security Act (42 U.S.C. 1395ll(c)(3)) is amended to read as follows:

“(3)(A) For purposes of carrying out the research program, there are authorized to be appropriated—

“(i) from the Federal Hospital Insurance Trust Fund two-thirds of the amount specified in subparagraph (B), and

“(ii) from the Federal Supplementary Medical Insurance Trust Fund one-third of the amount specified in subparagraph (B).

“(B) The amount specified in this subparagraph is—

“(i) \$7,500,000 for fiscal year 1988,

“(ii) \$10,000,000 for fiscal year 1989,

“(iii) \$20,000,000 for fiscal year 1990, and

“(iv) \$30,000,000 for fiscal year 1991.”

SEC. 8414. DELAY IN REPORTING DEADLINE FOR THE UNITED STATES BIPARTISAN COMMISSION ON COMPREHENSIVE HEALTH CARE.

Section 406 of the Medicare Catastrophic Coverage Act of 1988 is amended by striking “date of the enactment of this Act” each place it appears and inserting “effective date of the first Act providing appropriations for the Commission”.

42 USC 1395b
note.

PART III—PROVISIONS RELATING TO PART B OF MEDICARE

SEC. 8421. TRIP FEES FOR CLINICAL LABORATORIES.

42 USC 1395f.

(a) **IN GENERAL.**—Section 1833(h)(3) of the Social Security Act (42 U.S.C. 1395l(h)(3)) is amended by adding at the end the following new sentence: "In establishing a fee to cover the transportation and personnel expenses for trained personnel to travel to the location of an individual to collect a sample, the Secretary shall provide a method for computing the fee based on the number of miles traveled and the personnel costs associated with the collection of each individual sample, but the Secretary shall only be required to apply such method in the case of tests furnished during the period beginning on April 1, 1989, and ending on December 31, 1990, by a laboratory that establishes to the satisfaction of the Secretary (based on data for the 12-month period ending June 30, 1988) that (i) the laboratory is dependent upon payments under this title for at least 80 percent of its collected revenues for clinical diagnostic laboratory tests, (ii) at least 85 percent of its gross revenues for such tests are attributable to tests performed with respect to individuals who are homebound or who are residents in a nursing facility, and (iii) the laboratory provided such tests for residents in nursing facilities representing at least 20 percent of the number of such facilities in the State in which the laboratory is located."

42 USC 1395f
note.

(b) **BUDGET NEUTRALITY.**—The Secretary of Health and Human Services shall adjust the fees for transportation and personnel established under section 1833(h)(3)(B) of the Social Security Act for tests not covered under the amendment made by subsection (a) in such manner that the total cost of fees under such section is the same as would have been the case without such amendment.

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(c) **STUDY.**—The Secretary of Health and Human Services shall study reimbursement for specimen collection and transportation and personnel costs under section 1833(h)(3) of the Social Security Act and shall report to the Committees on Ways and Means and Energy and Commerce of the House of Representatives and the Committee on Finance of the Senate by May 1, 1989. The study shall—

- (1) survey carrier policies regarding such reimbursement,
- (2) report on concerns expressed by clinical diagnostic laboratories concerning such reimbursement, and
- (3) make recommendations to assure that such reimbursement is reasonable, covers the costs involved, and assures adequate access to clinical laboratory services for nursing facility residents.

SEC. 8422. BUDGET NEUTRALITY ADJUSTMENT FOR CERTIFIED REGISTERED NURSE ANESTHETISTS.

42 USC 1395f
note.

(a) **IN GENERAL.**—Section 1833(l)(3)(B) of the Social Security Act (42 U.S.C. 1395l(l)(3)(B)) is amended by inserting "plus applicable coinsurance" after "would have been paid".

(b) **EFFECTIVE DATE.**—The amendment made by subsection (a) shall become effective as if included in the amendment made by section 9320(e)(2) of the Omnibus Budget Reconciliation Act of 1986.

SEC. 8423. COVERAGE OF PSYCHOLOGISTS' SERVICES WHEN PROVIDED OFF-SITE AS PART OF A TREATMENT PLAN.

(a) **IN GENERAL.**—Section 1861(ii) of the Social Security Act (42 U.S.C. 1395x(ii)) is amended—

(1) by inserting “on-site” before “at a community mental health center”, and

(2) by inserting “, and such services that are necessarily furnished off-site (other than at an off-site office of such psychologist) as part of a treatment plan because of the inability of the individual furnished such services to travel to the center by reason of physical or mental impairment, because of institutionalization, or because of similar circumstances of the individual,” after “Public Health Service Act”).

(b) **EFFECTIVE DATE.**—The amendments made by subsection (a) shall be effective with respect to services furnished on or after January 1, 1989.

42 USC 1395x
note.

SEC. 8424. NONAPPLICATION OF CERTAIN REQUIREMENTS TO PHYSICAL THERAPISTS.

(a) **IN GENERAL.**—Section 1861(p) of the Social Security Act (42 U.S.C. 1395x(p)) is amended by adding at the end the following new sentence: “Nothing in this subsection shall be construed as requiring, with respect to outpatients who are not entitled to benefits under this title, a physical therapist to provide outpatient physical therapy services only to outpatients who are under the care of a physician or pursuant to a plan of care established by a physician.”.

(b) **EFFECTIVE DATE.**—The amendment made by subsection (a) shall become effective with respect to services provided after December 31, 1988.

42 USC 1395x
note.

SEC. 8425. FUNCTIONS OF PHYSICIAN PAYMENT REVIEW COMMISSION.

(a) **ADDITIONAL FUNCTION.**—Section 1845(b)(2) of the Social Security Act (42 U.S.C. 1395w-1(b)(2)) is amended—

(1) by striking “and” at the end of subparagraph (G),

(2) by striking the period at the end of subparagraph (H) and inserting “, and”, and

(3) by adding at the end the following new subparagraph:

“(I) consider policies for moderating the rate of increase in expenditures under this part and the rate of increase in utilization of services under this part.”.

(b) **EFFECTIVE DATE.**—The amendments made by subsection (a) shall take effect on the date of the enactment of this Act and shall first apply to recommendations submitted in 1989.

42 USC 1395w-1
note.

SEC. 8426. MORATORIUM ON LABORATORY PAYMENT DEMONSTRATION EXTENDED.

Section 9204(a) of the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended by section 9339(e) of the Omnibus Budget Reconciliation Act of 1986 and section 4085(c) of the Omnibus Budget Reconciliation Act of 1987, is amended by striking “January 1, 1989” and inserting “January 1, 1990”.

42 USC 1395ww
note.

SEC. 8427. PAYMENT FOR MEDICAL ESCORT OR MEDICAL ATTENDANT ON COMMERCIAL AIRLINER ALLOWED.

(a) **IN GENERAL.**—The Secretary of Health and Human Services shall provide that in cases where (as of the date of the enactment of this Act) transportation on a commercial airliner is covered under

42 USC 1395x
note.

section 1861(s)(7) of the Social Security Act, the Secretary shall also provide for payment for medically necessary services of a medical escort or medical attendant.

(b) **EFFECTIVE PERIOD.**—Subsection (a) shall apply to payment for services furnished during the 5-year period beginning on July 1, 1989.

PART IV—PROVISIONS RELATING TO MEDICAID

State and local governments.

SEC. 8431. DELAY IN ISSUANCE OF FINAL REGULATIONS CONCERNING THE USE OF VOLUNTARY CONTRIBUTIONS AND PROVIDER-PAID TAXES BY STATES TO RECEIVE FEDERAL MATCHING FUNDS.

The Secretary of Health and Human Services shall not issue any final regulation prior to May 1, 1989, changing the treatment of voluntary contributions or provider-paid taxes utilized by States to receive Federal matching funds under title XIX of the Social Security Act.

SEC. 8432. MEDICAID LONG-TERM CARE WAIVER PROGRAM.

(a) **MODIFICATION OF FORMULA.**—Section 1915(d)(5)(B) of the Social Security Act (42 U.S.C. 1396n(d)(5)(B)) is amended by adding at the end the following new clause:

“(iv) If there is enacted after December 22, 1987, an Act which amends this title and which results in an increase in the aggregate amount of medical assistance under this title for nursing facility services and home and community-based services for individuals who have attained the age of 65 years, the Secretary, at the request of a State with a waiver under this subsection for a waiver year or years and in close consultation with the State, shall adjust the projected amount computed under this subparagraph for the waiver year or years to take into account such increase.”

(b) **TECHNICAL MODIFICATIONS.**—Clauses (i) and (ii) of section 1915(d)(5)(B) of such Act (42 U.S.C. 1396n(d)(5)(B)) are amended—

(1) by inserting “(rounded to the nearest quarter of a year)” after “the number of years” each place it appears,

(2) by striking “before the waiver year” each place it appears and inserting “at the end of the waiver year”,

(3) by striking “between the base year and the waiver year” each place it appears and inserting “between the beginning of the base year and the beginning of the waiver year”, and

(4) by inserting “(rounded to the nearest quarter of a year)” after “for each year” each place it appears.

(c) **EFFECTIVE DATE.**—The amendments made by this section shall apply to waiver years beginning during or after fiscal year 1989.

SEC. 8433. EXTENSION OF TIME PERIOD FOR SUBMISSION OF CORRECTION AND REDUCTION PLANS FOR CERTAIN INTERMEDIATE CARE FACILITIES FOR THE MENTALLY RETARDED.

(a) **IN GENERAL.**—Section 1922 of the Social Security Act (42 U.S.C. 1396r-3) is amended—

(1) in subsection (a), by striking “residents” and inserting “residents (including failure to provide active treatment)”;

(2) in subsection (c)(5), by inserting “, and to provide active treatment for,” after “health and safety of”; and

42 USC 1396n
note.

(3) in subsection (f), by striking “within 3 years after the effective date of final regulations implementing this section” and inserting “by January 1, 1990”.

(b) **EFFECTIVE DATE.**—The amendments made by subsection (a) shall become effective on the date of the enactment of this Act, and shall apply to any proceeding where there has not yet been a final determination by the Secretary (as defined for purposes of judicial review) as of the date of the enactment of this Act.

42 USC 1396r-3.

SEC. 8434. CORRECTION RELATING TO MEDICARE BUY-IN.

(a) **IN GENERAL.**—Section 1905(p)(1) of the Social Security Act (42 U.S.C. 1396d(p)(1)) is amended by striking subparagraph (B) and redesignating subparagraphs (C) and (D) as subparagraphs (B) and (C), respectively.

(b) **CONFORMING AMENDMENTS.**—

(1) Section 1902(a)(10) of such Act (42 U.S.C. 1396a(a)(10)) is amended, in the subdivision (VIII) following subparagraph (E), by inserting “who is only entitled to medical assistance because the individual is such a beneficiary” after “1905(p)(1)”.

(2) Section 1902(m)(4)(A) of such Act (42 U.S.C. 1396a(m)(4)(A)) is amended by striking “1905(p)(1)(C)” and inserting “1905(p)(1)(B)”.

(3) Section 1905(a) of such Act (42 U.S.C. 1396d(a)) is amended, in the matter before clause (i), by striking “in the case of a qualified medicare beneficiary” and inserting “in the case of medicare cost-sharing with respect to a qualified medicare beneficiary”.

(4) Section 1905(p)(2)(A) of such Act (42 U.S.C. 1396d(p)(2)(A)), as amended by section 608(d)(14) of the Family Support Act of 1988, is amended by striking “(1)(C)” and inserting “(1)(B)”.

(c) **EFFECTIVE DATE.**—The amendment made by this section shall be effective as if included in the enactment of section 301 of the Medicare Catastrophic Coverage Act of 1988.

42 USC 1396a note.

SEC. 8435. CLARIFICATION OF FEDERAL FINANCIAL PARTICIPATION FOR CASE-MANAGEMENT SERVICES.

The Secretary of Health and Human Services may not fail or refuse to approve an amendment to a State plan under title XIX of the Social Security Act that provides for coverage of case-management services described in section 1915(g)(2) of such Act, or to deny payment to a State for such services under section 1903(a)(1) of such Act on the basis that a State is required to provide such services under State law or on the basis that the State had paid or is paying for such services from non-Federal funds before or after April 7, 1986. Nothing in this section shall be construed as requiring the Secretary to make payment to a State under section 1903(a)(1) of such Act for such case-management services which are provided without charge to the users of such services.

State and local governments.
42 USC 1396a note.

SEC. 8436. DETERMINATION OF PREMIUM AMOUNTS FOR EXTENDED MEDICAL ASSISTANCE.

(a) **TAKING INTO ACCOUNT CHILD CARE COSTS.**—Section 1925(d)(5)(C) of the Social Security Act, as inserted by section 303(a)(1) of the Family Support Act of 1988, is amended by inserting “(less the average monthly costs for such child care as is necessary for the employment of the caretaker relative)” after “gross monthly earnings”.

42 USC 1396r-6.

42 USC 1396r-6
note.

(b) **EFFECTIVE DATE.**—The amendment made by subsection (a) shall be effective as if included in the enactment of the Family Support Act of 1988.

SEC. 8437. CLARIFICATION OF WAIVER FOR HOME AND COMMUNITY-BASED SERVICES FOR INDIVIDUALS WHO WOULD OTHERWISE REQUIRE HOSPITAL OR FACILITY CARE.

(a) **IN GENERAL.**—Section 1915(c)(7)(A) of the Social Security Act (42 U.S.C. 1396n(c)(7)(A)) is amended—

(1) by striking “who are inpatients in hospitals,” and inserting “who are inpatients in, or who would require the level of care provided in, hospitals,”; and

(2) by striking “who are inpatients of those respective facilities.” and inserting “who are inpatients in, or who would require the level of care provided in, those respective facilities.”.

42 USC 1396n
note.

(b) **EFFECTIVE DATE.**—The amendment made by subsection (a) shall apply with respect to waiver applications submitted before, on, or after the date of the enactment of this Act.

TITLE IX—TRADE PROVISIONS

SEC. 9001. TRADE TECHNICAL AMENDMENTS.

(a) **IN GENERAL.**—

(1) Section 121 of the Trade Act of 1974 (19 U.S.C. 2131) is amended by striking out “(d) There are” and inserting in lieu thereof “There are”.

(2)(A) Paragraph (6) of section 203(e) of the Trade Act of 1974 (19 U.S.C. 2253(e)) is amended—

(i) by striking out “(A) the application” in subparagraph (B) and inserting in lieu thereof “(i) the application”, and

(ii) by striking out “(B) the designation” in subparagraph (B) and inserting in lieu thereof “(ii) the designation”.

(B) Paragraph (2) of section 1214(j) of the Omnibus Trade and Competitiveness Act of 1988 is amended—

(i) by striking out “Section 203(f)” and inserting in lieu thereof “Paragraph (6) of section 203(e)”,

(ii) by striking out “in paragraph (1)” and inserting in lieu thereof “in subparagraph (A)(i)”, and

(iii) by striking out “in paragraph (3)” and inserting in lieu thereof “in subparagraph (B)(i)”.

(3) Section 1215 of the Omnibus Trade and Competitiveness Act of 1988 is amended by striking out “1212(j)(1)” and inserting in lieu thereof “1214(j)(1)”.

(4) Section 771B of the Tariff Act of 1930 is amended to read as follows:

“SEC. 771B. CALCULATION OF SUBSIDIES ON CERTAIN PROCESSED AGRICULTURAL PRODUCTS.

“In the case of an agricultural product processed from a raw agricultural product in which—

“(1) the demand for the prior stage product is substantially dependent on the demand for the latter stage product, and

“(2) the processing operation adds only limited value to the raw commodity,

19 USC 2253.

19 USC 2138.

19 USC 1677-2.

State and local
governments.

the highways to be used for the rerouting of traffic now utilizing highways (known as routes 29 and 234) to be closed pursuant to subsection (b) if the construction and improvement of such alternatives are deemed by the Secretary to be in the interest of protecting the integrity of the park. Not more than 75 percent of the costs of such construction and improvement shall be provided by the Secretary and at least 25 percent shall be provided by State or local governments from any source other than Federal funds. Such construction and improvement shall be approved by the Secretary of Transportation.

(d) **AUTHORIZATION.**—There is authorized to be appropriated to the Secretary not to exceed \$30,000,000 to prepare the study required by subsection (a) and to provide the funding described in subsection (c).

Approved November 10, 1988.

LEGISLATIVE HISTORY—H.R. 4333 (S. 2238):

HOUSE REPORTS: No. 100-795 (Comm. on Ways and Means) and No. 100-1104 (Comm. of Conference).

SENATE REPORTS: No. 100-445 accompanying S. 2238 (Comm. on Finance).

CONGRESSIONAL RECORD, Vol. 134 (1988):

Aug. 4, considered and passed House.

Oct. 6, 7, S. 2238 considered in Senate.

Oct. 11, H.R. 4333 considered and passed Senate, amended.

Oct. 21, House and Senate agreed to conference report.

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MISCELLANEOUS REVENUE ACT OF 1988

REPORT

OF THE

COMMITTEE ON WAYS AND MEANS HOUSE OF REPRESENTATIVES

[Including cost estimate of the Congressional Budget Office]



JULY 26, 1988.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

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relief from the recordkeeping requirements. For example, the Secretary might provide that, in applying the 5-percent test, only individuals performing services at the end of the year are to be taken into account.

F. Employee Benefits Provisions

- 1. Nondiscrimination rules for statutory employee benefit plans (sec. 111A(a) of the bill, sec. 1151 of the Reform Act, sec. 209 of the Social Security Act, and secs. 89, 125, 129, 414, 505, 3121, 3231, 3306, 3401, 4976, and 6652 of the Code)**

The amendments made by section 1151 of the Act provide new rules with respect to employee benefit plans including comprehensive nondiscrimination rules under section 89. The technical corrections with respect to section 1151 of the Act are discussed below in conjunction with the provisions of the bill simplifying the administration of section 89. (See Title III, C., 1., b., below.) This organization is intended to present the changes to section 89 in a coherent fashion and not to imply that the provisions in the introduced technical corrections bill relating to section 89 are not technical corrections.

- 2. Deductibility of health insurance costs of self-employed individual (sec. 111A(b) of the bill, sec. 1161 of the Reform Act, and sec. 162(m) of the Code)**

Present Law

Under certain circumstances, a self-employed individual may deduct 25 percent of the amounts paid for health insurance for a taxable year on behalf of the individual and the individual's spouse and dependents (sec. 162(m)). The deduction is allowable in calculating adjusted gross income.

The deduction is limited to the taxpayer's earned income (within the meaning of sec. 401(c)).

Explanation of Provision

The bill clarifies that, consistent with the Congressional intent reflected in the Statement of Managers, the amount deductible under section 162(m) is not taken into account in computing net earnings from self-employment (sec. 1402(a)) or for purposes of the Social Security Act. Therefore, the amounts deductible under section 162(m) do not reduce the income base for purposes of the self-employed individual's social security tax or for purposes of benefit credit under the Social Security Act.

Under the bill, the deduction under section 162(m) is limited to the earned income derived by the taxpayer from the trade or business with respect to which the plan providing the health insurance is established.

6. Military fringe benefits (sec. 111A(f) of the bill, sec. 1168 of the Reform Act, and sec. 134 of the Code)

Present Law

Under present law, qualified military benefits are excludable from gross income. The term "qualified military benefit" generally means any allowance or in-kind benefit that—

(1) is received by any member or former member of the uniformed services of the United States or any dependent of such member by reason of such member's status or service as a member of such uniformed services, and

(2) was excludable from gross income on September 9, 1986, under any provision of law or regulation thereunder that was in effect on such date (other than a provision of Title 26).

For purposes of the exclusion of qualified military benefits that are payable in cash, certain adjustments to such benefits after September 9, 1986, are to be disregarded and thus are not to be covered by the section 134 exclusion.

Of course, benefits provided in connection with an individual's status or service as a member of the uniformed services may be excluded from income under other sections of the Code if the requirements for exclusion under such other sections are satisfied, even if such benefit does not qualify as a qualified military benefit.

Explanation of Provision

The bill clarifies that, with respect to the definition of qualified military benefit, the exclusion on September 9, 1986, may have been by administrative practice, in addition to by law or regulation.

The bill also provides that the term "qualified military benefit" does not include personal use of a vehicle. This amendment applies to taxable years beginning after December 31, 1986.

Under the bill, it is further intended that qualified military benefits that are provided in kind may be modified or adjusted after September 9, 1986, without affecting the excludability of such benefit under section 134.

In addition, the bill modifies the general effective date of section 134 to apply to taxable years beginning after December 31, 1984 (rather than beginning after December 31, 1986).

7. Exclusion of cafeteria plan elective contributions from wages for purposes of employment taxes (sec. 111A(a)(23) of the bill, sec 1151(d) of the Reform Act, sec. 209(e) of the Social Security Act, and secs. 3121(a)(5) and 3306(b)(5) of the Code)

Present Law

Under present law, no amount is included in the gross income of a participant in a cafeteria plan meeting certain requirements solely because, under the plan, the participant may choose among the benefits of the plan. Under the Act, this exception from the principles of constructive receipt generally also applies for purposes of FICA and FUTA taxes. The exception does not apply, however, for FICA and FUTA tax purposes with respect to elective de-

ferrals under a qualified cash or deferred arrangement that is part of a cafeteria plan.

Explanation of Provision

The bill clarifies that the exclusion from wages provided under the Act with respect to FICA and FUTA taxes applies to payments and benefits under a cafeteria plan if (1) it is reasonable to believe that (if sec. 125 applied for purposes of FICA and FUTA taxes) section 125 would not treat any wages as constructively received, and (2) the payments would not be treated as wages if provided outside of the cafeteria plan. As is the case for income tax purposes, the failure of a cafeteria plan to satisfy the discrimination test does not cause inclusion with respect to nonhighly compensated employees and the failure of a cafeteria plan to satisfy the key employee concentration test does not cause inclusion with respect to non-key employees.

For example, no amount is included in any employee's wages for FICA and FUTA tax purposes attributable to the employee's election under a cafeteria plan that satisfies the applicable discrimination test and key employee concentration test of a health benefit that is otherwise excludable from wages. Of course, a collectively bargained plan that is deemed to be nondiscriminatory for income tax purposes (sec. 125(f)) is deemed to meet the cafeteria-plan discrimination test (sec. 125(b)(1)) for purposes of this rule.

An example of a benefit that would not be excludable from wages would be employer-provided group-term life insurance that would, pursuant to the amendment made by section 9003 of the Omnibus Budget Reconciliation Act of 1987, be includable in wages if provided outside of a cafeteria plan.

G. Employee Stock Ownership Plans (ESOPs)

An employee stock ownership plan (ESOP) is a qualified stock bonus plan or a combination of a stock bonus and a money purchase pension plan under which employer stock is held for the benefit of employees. The stock, which is held by 1 or more tax-exempt trusts under the plan, may be acquired through direct employer contributions or with the proceeds of a loan to the trust (or trusts) that is exempt under section 4975. An ESOP is required to be designed to be invested primarily in employer securities.

1. Changes in qualification requirements relating to ESOPs (sec. 111B (i), (j), and (k) of the bill, secs. 1174-1176 and 1854 of the Reform Act, and secs. 401, 415, and 409 of the Code)

a. Diversification of investments

Present Law

The Act requires an ESOP to offer a partial diversification election to participants who meet certain age and participation requirements (qualified participants). Under the Act, a qualified participant is entitled annually during any diversification election period following each plan year in the participant's qualified elec-

Explanation of Provision

The bill conforms the statutory language to the legislative history of the Act. The bill provides that, for purposes of determining whether a corporation is diversified, a person holding stock in a RIC, REIT, or diversified investment company shall, except as otherwise provided in regulations, be treated as holding its proportionate share of the assets held by the RIC, REIT, or diversified investment company. It is anticipated, for example, that the regulations may provide for exceptions in de minimis cases.

13. Treatment of payments from certain mining reclamation programs (sec. 118(q)(6) of the bill, and sec. 126 of the Code)

Present Law

Under present law, gross income does not include the "excluded" portion of payments received under (1) specified environmental and conservation programs administered by the Federal government; and (2) any program of a State, local government, U.S. possession, or the District of Columbia, to the extent such payments are received by individuals primarily for the purpose of soil conservation, environmental protection, or forest or wildlife habitat improvement.

The "excluded" portion is the portion of the payment which (1) the Secretary of Agriculture determines is consistent with the purposes of this section; and (2) the Secretary of the Treasury determines does not substantially increase the property's annual income.

Explanation of Provision

The bill clarifies that a State mining reclamation program may qualify for this exclusion if such program is primarily for 1 or more purposes allowed under present law, even though the program may be designated as for public health and safety. For payments received under such programs, the excluded portion is to be determined (where appropriate) by the the Secretary of the Interior instead of the Secretary of Agriculture.

14. Elimination of duplicative Medicare tax provisions for certain State and local government employees (sec. 118(r) of the bill, sec. 1895 of the Reform Act, and sec. 3121(u) of the Code)

Present Law

Under present law, certain employees of State or local governments who are compensated solely on a fee basis are subject to the self-employment (SECA) tax, including the Medicare portion of that tax (sec. 1402(c)). The Consolidated Omnibus Budget Reconciliation Act of 1985 (P.L. 99-272) extended Medicare coverage and tax to State and local government employees hired after 1985, effective for service performed after March 31, 1986 (sec. 3121(u)). No exception was provided for certain State and local government employees who were already subject to Medicare tax under section 1402(c).

Explanation of Provision

The bill provides an exception to the Medicare tax provision in section 3121(u) for individuals holding a position described in section 1402(c)(2)(E), effective for services performed after March 31, 1986.

15. Treatment of certain loans of artwork (sec. 118(s)(2) of the bill and sec. 2503 of the Code)

Present Law

A loan of a work of art to a public charity or a private operating foundation is treated as a transfer subject to Federal gift tax. Although constituting a gift, such a loan is not a deductible charitable contribution for Federal gift tax purposes.

Explanation of Provision

The bill provides that a loan of a qualified work of art to a public charity (or private operating foundation) for use in carrying on its charitable purpose shall not be treated as a transfer for Federal gift tax purposes. For other transfer tax purposes, the work shall be valued as if the loan had not been made. Thus, even if on loan at the time of the owner's death, the full value of the work of art is includible in the owner's estate. A qualified work of art is any archaeological, historic, or creative tangible personal property.

The provision is effective for transfers occurring after July 31, 1969.

16. Definition of controlled group of corporations (sec. 118(s)(3) of the bill and sec. 1563 of the Code)

Present Law

Under present law, the component members of a controlled group of corporations are limited to the use of the lower corporate rate brackets only once, are allowed only one minimum accumulated earnings credit, are allowed only one \$40,000 minimum tax exemption and are allowed only one \$2 million exemption for purposes of the environmental tax. The phase out of certain of these benefits is determined by aggregating the income of the component members of the controlled group. Numerous other provisions of the Code rely on the definition of controlled group of corporations.

A controlled group of corporations means generally a parent-subsidiary controlled group or a brother-sister controlled group. In determining whether a corporation is a member of a parent-subsidiary controlled group, stock owned by a corporation means only stock owned directly by a corporation or stock owned by reason of holding stock options. Attribution of stock ownership through entities is not taken into account. In determining stock ownership for purposes of determining brother-sister controlled group status, attribution of stock ownership through entities such as partnerships, trusts, and estates (in proportion to the interest therein) is provided.

TITLE IV. WAYS AND MEANS SUBCOMMITTEE PROVISIONS

A. Public Assistance and Unemployment Compensation Subcommittee

1. AFDC quality control (sec. 421 of the bill and sec. 403 of the Social Security Act)

Present Law

The Consolidated Omnibus Budget Reconciliation Act (COBRA) of 1985 (P.L. 99-272) prohibits the Department of Health and Human Services from reducing AFDC payments to States for excess errors identified by the AFDC quality control system. This prohibition extends to July 1, 1988.

In addition, COBRA also requires that two studies be conducted—by the Secretary of Health and Human Services and the National Academy of Sciences—of the current quality control system. These studies are to examine how to best operate the quality control system to improve program administration as well as to provide reasonable data on which to penalize States with excessive levels of erroneous payments. The National Academy of Sciences study was received by the Committee in February 1988; the HHS study was received in April 1988.

Table 1 illustrates the pending and projected sanction amounts and the HHS and CBO schedule for collecting these funds under current law.

TABLE 1.—AFDC SANCTION AMOUNTS AND ESTIMATED COLLECTION SCHEDULES

Years errors were made	Estimated sanction amount (in millions)	HHS and CBO projected schedules for collecting sanctions	
		HHS estimate	CBO estimate
Fiscal year:			
1981	¹ \$69		
1982	96		
1983	184		
1984	230		
1985	248	0	0
1986	355	0	0
1987	300	0	0
1988	274	0	0
1989	251	\$349	0
1990	222	834	\$46

TABLE 1.—AFDC SANCTION AMOUNTS AND ESTIMATED COLLECTION SCHEDULES—Continued

Years errors were made	Estimated sanction amount (in millions)	HHS and CBO projected schedules for collecting sanctions	
		HHS estimate	CBO estimate
1991	201	825	342
1992	178	222	606
1993	153	201	184
Total	2,761	2,431	1,178

¹ Disallowance notices issued to States. Amount has been reduced to reflect waivers by Secretary of HHS.

Source: Department of Health and Human Services and Congressional Budget Office. Compiled by committee staff.

Explanation of Provision

The moratorium on the collection of quality control disallowances IS extended for one year; the collection of error rate data and review of State waiver requests by the Grant Appeals Board will continue during the moratorium period, and HHS will be required to submit its recommendations for improving the quality control system by February 15, 1989. Specifically:

(1) During the 12-month period beginning on July 1, 1988, the Secretary will be prohibited from imposing any reductions in payments to States pursuant to section 403(i) of the Social Security Act (or prior regulations), or pursuant to any comparable provision of law relating to the programs under Title IV-A of such Act in Puerto Rico, Guam, the Virgin Islands, American Samoa, or the Northern Mariana Islands. The moratorium would extend until July 1, 1989.

(2) During the moratorium period, the Secretary and the States will be required to continue to operate the quality control systems in effect under Title IV-A of the Social Security Act, and to calculate the error rates, including the process of requesting and reviewing waivers.

(3) Current law is clarified to provide that the moratorium does not apply to the Departmental Grant Appeals Board and its review of the fiscal year 1981 disallowances or any subsequent disallowances. The Grant Appeals Board would be expected to consider appeals during the moratorium period. Collection of disallowances owed as a result of Grant Appeals Board decisions could not occur during the moratorium period.

(4) The requirement, in current law (sec. 12302(c) of COBRA), that the Secretary publish regulations on restructuring the quality control systems to reflect the studies are replaced with a requirement that the Secretary submit to the Congress, by February 15, 1989, its recommendations for a revised quality control system.

Effective Date

The provision is effective on July 1, 1988.

2. **Due dates for self-employment demonstration project reports (sec. 422 of the bill and sec. 9152(g) of the Omnibus Budget Reconciliation Act of 1987)**

Present Law

The Omnibus Budget Reconciliation Act of 1987 (P. L. 100-203) authorized self-employment demonstration projects in three States. The law requires two reports to Congress on these projects: (1) an interim report is due no later than two years after the date of enactment; and (2) a final report is due no later than four years after the date of enactment.

Explanation of Provision

The interim and final reports are required to be submitted three years and six years, respectively, after the date of enactment.

Effective Date

The provision is effective on enactment.

3. **Disregard of certain housing assistance payments in determining income and resources under SSI program (sec. 423 of the bill and sec. 1612(b) of the Social Security Act)**

Present Law

Assistance provided under the United States Housing Act of 1937 is excluded (by sec. 2 of the Housing Authorization Act of 1976) from consideration as income or resources for SSI purposes. The Housing and Community Development Act of 1987 (Public Law 100-242) transferred the authorization of housing assistance for the nonelderly disabled from section 8 of the United States Housing Act of 1937 to section 202 of the Housing Act of 1959, effective for projects developed and contracts made with funds appropriated after enactment. Public Law 100-242 did not, however, specifically exclude the consideration of this assistance as income or resources under the newly-amended Housing Act of 1959.

Explanation of Provision

The bill amends section 1612(b) of the Social Security Act to exclude the value of Federal housing assistance from income and resources for SSI purposes.

Effective Date

The provision is effective on enactment.

B. Social Security Subcommittee: Minor and Technical Social Security Provisions

1. Interim disability benefits in cases of delayed final decisions

Present Law

If, upon appeal, an individual receives an unfavorable determination regarding disability benefits from an Administrative Law Judge (ALJ), he or she may appeal the ALJ's decision to the Social Security Administration's Appeals Council. If, on the other hand, the individual receives a favorable determination from the ALJ, the Appeals Council may review the determination on its "own motion." Interim disability benefits are not paid while a case is under review by the Appeals Council.

Explanation of Provision

In any disability case under Title II or Title XVI of the Social Security Act in which an ALJ has made a decision favorable to the individual and the Appeals Council has not rendered a final decision within 110 days, interim benefits would be provided to the individual. (Delays in excess of 20 days caused by or on behalf of the claimant would not count in determining the 110 day period.) These benefits would begin with the month before the month in which the 110-day period expired, and would not be considered overpayments if eligibility were subsequently denied, unless the benefits were fraudulently obtained.

Effective Date

The provision would be effective with respect to favorable ALJ decisions made 180 days or more after enactment.

2. Application of earnings test in year of individual's death

Present Law

A social security beneficiary under age 70 with earnings in excess of certain thresholds is subject to a \$1 reduction in benefits for every \$2 earned over the exempt amount.

The annual exempt amount under the earnings test is lower for beneficiaries under age 65 than for those 65-69. This year the exempt amount for those under age 65 is \$6120, and the age 65-69 exempt amount is \$8400. Thus, beneficiaries under age 65 begin to lose benefits at a lower earnings level than beneficiaries aged 65-69.

If a beneficiary dies, the annual exempt amount applicable at the time of death is prorated based on the number of months that he or she lived during the year. In addition, the higher exempt amount is applicable in the year a beneficiary reaches age 65, regardless of when during the year the beneficiary turns 65. If the beneficiary dies after his or her 65th birthday but still in the same year, the higher exempt amount applies. If, however, a beneficiary dies at age 64 in the year that he or she would have turned 65, the lower exempt amount applies. This may cause the benefits of an

individual who reasonably expected to live until the end of the year, or reach 65 during the year, to be subject either to the prorated threshold or the lower threshold. This would, in some cases, necessitate the return of benefit overpayments by the beneficiary's estate.

Explanation of Provision

The annual exempt amount would not be prorated in the year of death. In addition, the higher annual exempt amount for beneficiaries age 65-69 would apply to people who die before they reach 65 in the year that they otherwise would have attained age 65.

Effective Date

The provision would be effective with respect to deaths after the date of enactment.

3. Exemption from reduction in "windfall" benefit

Present Law

Under the so-called "windfall" benefit provision of the Social Security Amendments of 1983, social security benefits are generally reduced for workers who also have pensions from work that was not covered under social security (e.g., work under the Federal Civil Service Retirement System). Under the regular, weighted benefit formula, benefits are determined by applying a set of declining percentages to average indexed monthly earnings. For workers who reach age 62 in 1988, a worker's basic benefit is equal to 90 percent of the first \$319 of average indexed monthly earnings, 32 percent of earnings from \$319 to \$1922, and 15 percent of earnings above \$1922. The formula applicable to those with pensions from non-covered employment substitutes 40 percent for the 90-percent factor in the first bracket. (The second and third factors remain the same.) The resulting reduction in the worker's social security benefit is limited to one-half the amount of the non-covered pension.

The new law is being phased in over a 5-year period, beginning with those persons first eligible for social security benefits in 1986.

Workers who have 30 years or more of social security coverage are fully exempt from this treatment. For workers who have 26-29 years of coverage, the percentage in the first bracket in the formula increases by 10 percentage points for each year over 25, as illustrated below:

First factor in formula

Years of social security coverage:	Percent
25 or fewer	40
26	50
27	60
28	70
29	80
30 or more	90

Explanation of Provision

The years of social security coverage required in order for an individual to be exempt from the windfall benefit formula would be lowered from 30 to 25 years. Similarly, the years of coverage at which the formula gradually takes effect would be scaled back, as illustrated below:

First factor in formula

Years of social security coverage:	Percent
20 or fewer	40
21	50
22	60
23	70
24	80
25 or more	90

Effective Date

The provision would be effective for benefits payable for months after December, 1988.

4. Denial of benefits to individuals deported or ordered deported on the basis of association with the Nazi Government of Germany during World War II

Present Law

People who are deported for violating specified provisions of the Immigration and Nationality Act lose their social security benefits. The list of provisions for which people are denied benefits does not, however, include paragraph 19 of such Act. Paragraph 19, which was added to the Immigration and Nationality Act in 1978, pertains to people deported for certain activities in association with the Nazi Government of Germany during World War II.

Explanation of Provision

Benefits to individuals deported as Nazi war criminals under paragraph 19 of the Immigration and Nationality Act would be terminated.

Effective Date

The provision would apply only in the case of deportations occurring, and final orders of deportation issued, on or after the date of enactment, and only with respect to benefits beginning on or after such date.

5. Modification in the term of office of public members of the boards of trustees

Present Law

The Boards of Trustees of the Social Security Trust Funds are composed of the Secretaries of the Treasury, Labor, Health and Human Services, and two members of the public. The members of

the public are nominated by the President and confirmed by the Senate. The law specifies that their term of service is for four years, but is otherwise silent on the length of term for a public member appointed to fill a vacancy left by another public member who leaves before the end of his or her term. The law is likewise silent on whether a public member is permitted to serve after the expiration of his or her term until a successor has taken office.

Explanation of Provision

A public member appointed to fill a vacancy occurring before the end of a term would be appointed only for the remainder of such term. A public member, whether appointed for a full term or appointed to fill an unexpired term, would be permitted to serve after the expiration of that term until a successor has taken office.

Effective Date

The provision would be effective upon enactment.

6. Continuation of disability benefits during appeal

Present Law

A disability insurance beneficiary who is determined to be no longer disabled may appeal the determination sequentially through three appellate levels within the Social Security Administration (SSA): a reconsideration, usually conducted by the State Disability Determination Service that rendered the initial unfavorable determination; a hearing before an SSA administrative law judge (ALJ); and a review by a member of SSA's Appeals Council.

The beneficiary has the option of having his or her benefits continued through the hearing stage of appeal. If the earlier unfavorable determinations are upheld by the ALJ, the benefits are subject to recovery by the agency. (If an appeal is made in good faith, benefit repayment may be waived.) Medicare eligibility is also continued, but Medicare benefits are not subject to recovery.

The Omnibus Budget Reconciliation Act of 1987 extended this provision for one year. The Act authorized the payment of interim benefits to persons in the process of appealing termination decisions made before January 1, 1989. Such payments may continue through June 30, 1989 (i.e., through the July 1989 check).

Explanation of Provision

The period in which benefits may be paid and medicare eligibility continued while an appeal is in progress would be extended for one additional year. Upon application by the beneficiary, benefits would be paid while an appeal is in progress with respect to unfavorable determinations made on or before December 31, 1989 and would be continued through June 1990 (i.e., through the July 1990 check).

The provision would be extended pending a report from the Secretary of Health and Human Services to the Committee on Ways and Means and the Committee on Finance. The report is to assess the impact of the continuation of benefits on the social security

and medicare trust funds and the rate of appeals of disability determinations to ALJs.

Effective Date

The provision would be effective with respect to unfavorable decisions made on or before December 31, 1989.

7. Extend social security exemption for members of certain religious faiths

Present Law

Self-employed workers may claim an exemption from social security coverage if they belong to a recognized religious sect or division whose teachings lead them to oppose acceptance of public or private insurance benefits. Employees who belong to such religious sects, however, are required to participate in social security.

Explanation of Provision

The provision would extend the current law treatment of the self-employed to employees in cases where both the employee and the employer are members of a qualifying religious sect or division. The provision would place no time restriction on the filing of applications for employee exemptions, and it would amend current law (Section 1402(g)(2) of the Internal Revenue Code of 1986) prospectively to provide parallel treatment for self-employed individuals. The rationale for this conforming change is two-fold: first, the language of current law is so broad that it has provided the self-employed with an effectively unlimited time period for filing applications; second, the Social Security Administration reports that no problems have arisen as a result of this open-ended application period.

Effective Date

The provision would apply to taxable years beginning on or after January 1, 1989.

8. Use of social security numbers to locate blood donors with AIDS

Present Law

Government agencies may require individuals to furnish social security numbers (SSNs) only for certain specified purposes. States are authorized to require SSNs to administer tax, public assistance, drivers' license or motor vehicle registration laws.

Explanation of Provision

States or authorized blood donation facilities (those licensed or registered with the Food and Drug Administration, such as the Red Cross) would be permitted to require donors to furnish social security numbers. The SSN would be available to locate the address of a blood donor whose blood shows that he or she may be carrying the virus for acquired immune deficiency syndrome (AIDS), for the

sole purpose of notifying the blood donor of the possible need for medical care and treatment. The Committee expects blood donation facilities using the Blood Donor Locator Service to make reasonable efforts at notification; however, the Committee does not expect facilities to use extraordinary means to reach individuals who may have moved out of the area in which the blood donation facility is located.

The provision requires blood donation facilities using the Blood Donor Locator Service to provide for counseling of those found to carry the AIDS virus. It is the intention of the Committee that new counseling programs would not be required. Blood donation facilities would be permitted to use existing programs or referrals to provide for counseling for those donors with AIDS.

The provision is intended to offer an additional mechanism by which blood donation facilities can notify donors of the possibility that they might carry the AIDS virus. Blood donation facilities would not be *required* to ask for donors' SSNs or to use the Blood Donor Locator Service.

The provision protects blood donors by permitting access to the address information only by State agencies and blood donation facilities meeting requirements for confidentiality and security. The agencies which receive addresses through the Blood Donor Locator Service would be required to restrict access to blood donor records, provide for their security, and destroy them after use. Any official or employee of the Federal government, a State, or a facility who is guilty of unauthorized disclosure of blood donor information would be subject to a criminal penalty. The penalty would be the same as that provided under current law for unauthorized disclosure of tax information by government employees. In addition, the Secretary of Health and Human Services and the Secretary of the Treasury would be required to destroy blood donor records after the address information was transmitted.

Effective Date

The Secretary would be required to establish the blood donor locator service within 180 days after enactment.

9. Payment of lump sum death benefits to surviving spouse

Present Law

A lump sum death payment of \$255 is payable on the death of an insured worker to a surviving spouse who is living with the worker at the time of the worker's death or who is eligible to receive a monthly survivor's benefit at the time of the worker's death. If there is no eligible spouse, the lump sum death payment is payable to a child of the deceased worker who is eligible to receive monthly benefits as a surviving child.

If the widow(er) dies before making application for the lump sum payment or dies before negotiating the benefit check, no lump sum death benefit is payable.

Explanation of Provision

The provision would permit the legal representative of the estate of a deceased widow(er) to claim the lump sum payment in cases in which the otherwise eligible widow(er) dies before having both received and negotiated such payment. Where the legal representative of the estate is a State or political subdivision of a State, the lump sum benefit would not be payable.

Effective Date

The provision would be effective with respect to deaths of widow(er)s occurring on or after January 1, 1989.

10. Requirement of social security number as a condition for receipt of social security benefits

Present Law

Applicants for social security benefits are not required to have social security numbers in order to receive benefits. The absence of a social security number for auxiliary and survivor beneficiaries hampers monitoring which might detect duplicate payments, earnings, and entitlement to other benefits.

SSA currently requests that applicants voluntarily provide their social security numbers. Under Federal law, recipients of Aid to Families with Dependent Children, Supplemental Security Income, and Veterans' Assistance benefits are currently required to provide their social security numbers in order to receive benefits under those programs.

Explanation of Provision

Individuals would be required to furnish a social security number for receipt of social security benefits. Those lacking a social security number would be required to make proper application for one. Beneficiaries currently on the rolls would not be subject to this requirement. However, they would be encouraged to provide a correct social security number or to apply for a number if one had not previously been assigned.

Effective Date

The provision would be effective with respect to benefit entitlements commencing after the sixth month following the month of enactment.

11. Substitution of certificate of election for application to establish entitlement for certain reduced widow(er)'s benefits

Present Law

An individual who (1) is receiving a combination of a reduced spouse's benefit and either retirement or disability benefits on his or her own record and (2) is between the ages of 62 and 65 when his or her spouse dies, must file an application to receive reduced widow(er)'s benefits.

Those who are over age 65 when the worker dies and who are receiving spouses' benefits or those age 62-65 when the worker dies who are not entitled to their own retirement or disability benefits may receive reduced widow(er)s' benefits by filing a certificate of election rather than an application.

An application for a reduced widow(er)'s benefit is generally not effective for months before the month of filing. Thus, a break in entitlement could occur if the application were not filed in a timely fashion.

Explanation of Provision

An individual who is receiving both a reduced spouse's benefit and a retirement or disability benefit and who is between the ages of 62 and 65 when his or her spouse dies, could receive a reduced widow(er)'s benefit by filing a certificate of election. A certificate of election would be effective for up to 12 months before it is filed.

Effective Date

The provision would be effective with respect to benefits payable based on the record of individuals who die after the month of enactment.

12. Calculation of windfall benefit guarantee amount in month of concurrent entitlement rather than concurrent eligibility

Present Law

Under the windfall benefit provision, a special formula is used to compute the social security benefits of workers who are also eligible for pensions based on non-covered employment. The "windfall guarantee" assures that the windfall formula will not reduce the social security benefit by more than one-half the amount of the non-covered pension. The amount of the non-covered pension is currently the amount payable in the first month the individual is eligible for both the pension and social security (i.e., the month of concurrent eligibility).

When an individual applies for social security benefits, the Social Security Administration must ask the individual's pension administrator to compute a pension amount that would have been payable at the date of first concurrent eligibility for both the pension and social security (usually age 62) regardless of the pension amount which the person will actually receive upon entitlement. Processing delays and errors can occur when pension administrators make this fictitious computation of the pension amount.

Explanation of Provision

The amount of the pension considered when determining the windfall guarantee would be the amount payable in the first month of concurrent entitlement to both social security and the pension from non-covered employment.

Effective Date

The provision would be effective for benefits based on applications filed on or after January 1, 1989.

13. Consolidation of reports on continuing disability reviews*Present Law*

The Secretary of Health and Human Services is required to make two reports on continuing disability reviews to the Senate Committee on Finance and the House Committee on Ways and Means. The first is a semi-annual report on the results of continuing disability reviews. The second is an annual report on the appropriate number of disability cases to be reviewed in each state.

Explanation of Provision

These two reports on continuing disability reviews would be consolidated into one annual report to be made to the Senate Committee on Finance and the House Committee on Ways and Means. The report would remain separate from the Social Security Administration's Annual Report to the Congress.

Effective Date

This provision would be effective with respect to reports required to be submitted after the date of enactment.

14. Group-term life insurance*Present Law*

The Omnibus Budget Reconciliation Act of 1987 required the cost of employer-provided group term life insurance to be included in wages for FICA tax purposes if it is includible for gross income tax purposes. Under current law, it is includible for gross income tax purposes to the extent that coverage exceeds \$50,000.

Explanation of Provision

The amendment would exclude from FICA tax group-term life insurance provided to individuals who separated from service before January 1, 1989. (However, if such former employees subsequently return to work for the employer providing the insurance or for a successor employer, their group-term life insurance would not retain its tax-free status under this exclusion). This provision recognizes that employers may have difficulty collecting FICA tax from employees who have already separated from service and retired.

Effective Date

The provision would be effective with respect to separations from service before January 1, 1989.

15. Corporate directors

Present Law

The Omnibus Budget Reconciliation Act of 1987 provides that corporate directors' earnings shall be treated as received when earned, regardless of when actually paid, for purposes of both the social security tax (SECA) and the social security retirement test.

Explanation of Provision

Directors' earnings would be treated as received when earned only for purposes of the social security retirement test.

Effective Date

The provision would be effective as if it had been included in OBRA of 1987 at the time of its enactment.

16. Government pension offset

Present Law

The Omnibus Budget Reconciliation Act of 1987 permitted Federal employees who joined the new Federal Employees Retirement System (FERS) during the open enrollment period (July 1, 1987 through December 31, 1987) to be exempt from the government pension offset. Under the government pension offset, the social security spouse's or surviving spouse's benefit is reduced by two-thirds of the amount of any government pension received by the individual.

Explanation of Provision

The provision would make it clear that anyone who elected FERS on or before December 31, 1987 would be exempt from the government pension offset even if that person retired from government service before the FERS coverage became effective.

In addition, the provision would make it clear that the 1987 Act applies not only to Federal employees who join FERS by electing to become subject to chapter 84 of title 5, United States Code, but also to foreign service employees who join FERS by electing to become subject to chapter 22 of title 1, United States Code.

Effective Date

The provisions would be effective as if they had been included in OBRA of 1987 at the time of its enactment.

17. Clarification regarding social security coverage for certain senior civil servants

Present Law

(1) The Social Security Amendments of 1983 provided mandatory social security coverage for presidential appointees as well as the President, Members of Congress, federal judges, and certain executive level civil servants.

However, Section 205(p) of the Social Security Act provides that the Secretary of Health and Human Services shall accept the determination of the head of a federal agency as to whether a federal employee has performed service, as to the periods of such service and as to the amount of remuneration which constitute wages. The Office of Personnel Management has interpreted this section to mean that a federal agency may determine whether or not an employee's service constitutes social security covered employment. Because the civil service statute permits career employees in the Senior Executive Service (SES) to retain their pay, rank and retirement plan when they move to a presidential appointment, OPM has interpreted section 205(p) to mean that such individuals may avoid social security coverage in contravention of the coverage provisions of the Social Security Act (while retaining coverage under the old Civil Service Retirement System).

No other individuals receive such treatment. For example, individuals in the private sector or career civil servants in a non-SES job are mandatorily covered by social security when they take a presidential appointment.

(2) Due to an oversight in current law, when an individual accepts a mandatorily covered federal job and subsequently returns to his or her previous job or another non-covered federal job, he or she loses social security coverage.

Explanation of Provision

(1) The provision would clarify that the Secretaries of HHS and Treasury, not the heads of any other federal agencies, have the authority to make the final determination as to whether an individual's service constitutes social security covered employment. This is intended to assure that all presidential appointees and other senior government officials are covered under social security as provided in the coverage provisions of the Old Age, Survivors and Disability Insurance Program.

(2) In addition, the provision would clarify that any civil servant who becomes covered by social security as a result of taking a mandatorily covered federal job would retain social security coverage in any subsequent federal job.

Effective Date

(1) The provision would be effective with respect to determinations relating to service commenced in any position on or after the date of enactment.

(2) The provision would be effective with respect to service performed on or after the date of enactment in a position mandatorily covered by social security.

BUDGET EFFECTS OF H.R. 4333, MISCELLANEOUS REVENUE ACT OF 1988, AS ORDERED REPORTED BY THE COMMITTEE ON WAYS AND MEANS, FISCAL YEARS 1988-91

[Millions of dollars]

Item	1988	1989	1990	1991	1988-91
Titles I and II: Technical Corrections to the Tax Reform Act of 1986 and to Other Tax Legislation	-58	20	36	30	28
Title III: Substantive Revenue Provisions					
<i>A. Extension and Modification of Expiring Provisions</i>					
1. Extend education assistance through 1990 and deny benefit with respect to certain education leading to post-graduate degree for years beginning after 1988 with \$1,500 cap.....	-88	-292	-270	-81	-731
2. Extend low-income rental housing tax credit through 1990.....		-26	-172	-345	-543
3. Extend mortgage revenue bonds through 1990 with new program targeting (effective after December 31, 1988), as modified; transition relief from MRB recapture rule for certain contracts entered before June 23, 1988.....		-9	-64	-102	-175
4. Restrictions on issuance of pooled financing bonds.....	(1)	(1)	(1)	(1)	(1)
5. Research and development provisions:		-401	-816	-366	-1,583
a. Extend R&D credit through 1990.....					
b. Reduce section 174 R&D expensing deduction by amount of section 41 R&D credit (effective for taxable years beginning after December 31, 1988).....		136	277	124	537
c. Adopt Treasury Reg. sec. 1.861-8 compromise with gross sales cap (effective 1987 through 1990), and allocate 64% of foreign-conducted research to foreign sources effective for taxable years beginning after June 21, 1988).....	-349	-540	-597	-248	-1,735
6. Extend targeted jobs tax credit through 1990, with new program targeting.....		-47	-130	-138	-315

10. Elimination of dividend received from banks for personal holding company income of bank holding companies.....	-4	-9	-5	-18
11. Provisions relating to previously-required studies.....				
Subtotals: Substantive Revenue Provisions.....	-446	235	-95	419
Total IV: Ways and Means Subcommittee Provisions				112
<i>A. Public Assistance Subcommittee: Extend the AFDC Quality Control Moratorium</i> ¹¹				
<i>B. Social Security Subcommittee: Make Minor and Technical Benefit and Tax Adjustments to the Social Security Act</i> ¹¹	-27	-42	-24	-93
Subtotals: Ways and Means Subcommittee Provisions	-27	-42	-24	-93
Grand Totals	-504	228	-101	425
				47

¹ The effect of this item is included in the estimate of the item immediately preceding.

² Gain of less than \$500,000.

³ Totals are not available for estimates represented by footnotes.

⁴ Gain of less than \$5 million.

⁵ Loss of less than \$500,000.

⁶ Loss of less than \$5 million.

⁷ Effective for equipment placed in service after December 31, 1988, with binding contract exception.

⁸ Negligible amount

⁹ Loss of less than \$1 million.

¹⁰ Gain of less than \$1 million.

¹¹ Includes increases in outlays.

100TH Congress }
2d Session }

SENATE

{ REPORT
100-445 }

TECHNICAL CORRECTIONS ACT OF 1988

R E P O R T

OF THE

COMMITTEE ON FINANCE
UNITED STATES SENATE

TO ACCOMPANY

S. 2238

[Including cost estimate of the Congressional Budget Office]



AUGUST 3 (legislative day, AUGUST 1), 1988.—Ordered to be printed

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Explanation of Provision

The bill conforms the statutory language to the legislative history of the Act. The bill provides that, for purposes of determining whether a corporation is diversified, a person holding stock in a RIC, REIT, or diversified investment company shall, except as otherwise provided in regulations, be treated as holding its proportionate share of the assets held by the RIC, REIT, or diversified investment company. It is anticipated, for example, that the regulations may provide for exceptions in de minimis cases.

13. Treatment of payments from certain mining reclamation programs (sec. 118(q)(6) of the bill, and sec. 126 of the Code)

Present Law

Under present law, gross income does not include the "excluded" portion of payments received under (1) specified environmental and conservation programs administered by the Federal government; and (2) any program of a State, local government, U.S. possession, or the District of Columbia, to the extent such payments are received by individuals primarily for the purpose of soil conservation, environmental protection, or forest or wildlife habitat improvement.

The "excluded" portion is the portion of the payment which (1) the Secretary of Agriculture determines is consistent with the purposes of this section; and (2) the Secretary of the Treasury determines does not substantially increase the property's annual income.

Explanation of Provision

The bill clarifies that a State mining reclamation program may qualify for this exclusion if such program is primarily for 1 or more purposes allowed under present law, even though the program may be designated as for public health and safety. For payments received under such programs, the excluded portion is to be determined (where appropriate) by the Secretary of the Interior instead of the Secretary of Agriculture.

14. Elimination of duplicative Medicare tax provisions for certain State and local government employees (sec. 118(r) of the bill, sec. 1895 of the Reform Act, and sec. 3121(u) of the Code)

Present Law

Under present law, certain employees of State or local governments who are compensated solely on a fee basis are subject to the self-employment (SECA) tax, including the Medicare portion of that tax (sec. 1402(c)). The Consolidated Omnibus Budget Reconciliation Act of 1985 (P.L. 99-272) extended Medicare coverage and tax to State and local government employees hired after 1985, effective for service performed after March 31, 1986 (sec. 3121(u)). No exception was provided for certain State and local government employees who were already subject to Medicare tax under section 1402(c).

Explanation of Provision

The bill provides an exception to the Medicare tax provision in section 3121(u) for individuals holding a position described in section 1402(c)(2)(E), effective for services performed after March 31, 1986.

15. Treatment of certain loans of artwork (sec. 118(s)(2) of the bill and sec. 2503 of the Code)

Present Law

A loan of a work of art to a public charity or a private operating foundation is treated as a transfer subject to Federal gift tax. Although constituting a gift, such a loan is not a deductible charitable contribution for Federal gift tax purposes.

Explanation of Provision

The bill provides that a loan of a qualified work of art to a public charity (or private operating foundation) for use in carrying on its charitable purpose shall not be treated as a transfer for Federal gift tax purposes. For other transfer tax purposes, the work shall be valued as if the loan had not been made. Thus, even if on loan at the time of the owner's death, the full value of the work of art is includible in the owner's estate. A qualified work of art is any archaeological, historic, or creative tangible personal property.

The provision is effective for transfers occurring after July 31, 1969.

16. Definition of controlled group of corporations (sec. 118(s)(3) of the bill and sec. 1563 of the Code)

Present Law

Under present law, the component members of a controlled group of corporations are limited to the use of the lower corporate rate brackets only once, are allowed only one minimum accumulated earnings credit, are allowed only one \$40,000 minimum tax exemption and are allowed only one \$2 million exemption for purposes of the environmental tax. The phase out of certain of these benefits is determined by aggregating the income of the component members of the controlled group. Numerous other provisions of the Code rely on the definition of controlled group of corporations.

A controlled group of corporations means generally a parent-subsidiary controlled group or a brother-sister controlled group. In determining whether a corporation is a member of a parent-subsidiary controlled group, stock owned by a corporation means only stock owned directly by a corporation or stock owned by reason of holding stock options. Attribution of stock ownership through entities is not taken into account. In determining stock ownership for purposes of determining brother-sister controlled group status, attribution of stock ownership through entities such as partnerships, trusts, and estates (in proportion to the interest therein) is provided.

B. Tax Treatment of Indian Fishing Rights

(Secs. 411-414 of the Bill, new sec. 7873 of the Code, secs. 1402(a) and 3121(a) of the Code, secs. 209 and 211(a) of the Social Security Act, and 25 U.S.C. 71)

Present Law

In ordinary matters not governed by treaties or remedial legislation, Indians are subject to the payment of Federal income taxes as are other citizens.¹²⁸ But in some situations, specific provisions in treaties or statutes have been construed to exclude from Federal taxation certain income derived from Indian lands held in trust by the United States.¹²⁹ Income derived by Indians from individual or tribal-owned property has, in other situations, been held to be subject to Federal income tax.¹³⁰

Questions have been raised whether a special tax rule should apply to income earned by members of certain Indian tribes from the exercise of fishing rights guaranteed by treaties, Federal statutes, and executive orders. The treaties at issue, most of which were entered into in the latter half of the 19th Century before adoption of the 16th Amendment pursuant to which the Federal income tax is imposed, generally secure to Indians who had relinquished all rights to large areas of and (mostly in the West and Great Lakes regions) the exclusive rights to fish on reservation property and the shared rights to fish off-reservation at "all usual and accustomed grounds and stations."¹³¹

The fishing rights reserved to Indians include the right to fish for subsistence as well as for commercial purposes. In addition, certain hunting, gathering, and grazing activities are also secured to Indians by treaties, Federal statutes, and executive orders.¹³²

¹²⁸ Indians and their property are exempt from State taxation within their reservations, unless Congress clearly manifests its consent to such taxation. See, *Montana v. Blackfeet Tribe of Indians*, 471 U.S. 759 (1985); *McClanahan v. Arizona State Tax Comm'n*, 411 U.S. 164 (1973). In contrast, property and income earned outside the reservation have been held to be subject to State taxation, unless Federal law otherwise provides for an exemption. See, *Mescalero Apache Tribe v. Jones*, 411 U.S. 145 (1973).

¹²⁹ See, *Squire v. Capoeman*, 351 U.S. 1 (1956) (holding that gains from sale of timber on lands allotted to noncompetent Indians but held in trust by the United States pursuant to the General Allotment Act of 1887 was exempt from Federal income taxes).

¹³⁰ See, *Choteau v. Burnet*, 283 U.S. 691 (1931) (income of competent Indians, who had unrestricted control over lands, held to be subject to tax); *Superintendent of Five Civilized Tribes v. Comm'r*, 295 U.S. 418 (1935) (income derived from reinvestment of surplus income from land held to be subject to tax). See also, *Fry v. Comm'r*, 557 F.2d 646 (9th Cir. 1977) (taxing income from logging operation on reservation land); and *United States v. Anderson*, 625 F.2d 910 (9th Cir. 1980) (taxing income from cattle ranching on reservation land).

¹³¹ See, *Washington v. Washington State Commercial Passenger Fishing Vessel Assn.*, 443 U.S. 658, 662 (1979). Some of these treaties secure to Indian tribes the opportunity to catch up to 50 percent of the harvestable numbers of fish passing through their traditional fishing areas. *Id.* at 685.

¹³² See, *Antoine v. Washington*, 420 U.S. 194 (1975); *Mattz v. Arnett*, 412 U.S. 481 (1973).

Continued

The treaties, Federal statutes, and executive orders that reserve fishing rights to Indians do not contain provisions that specifically address the issue of Federal income taxation of Indian fishing activities. Consequently, the Tax Court has ruled in three cases that income derived by Indians from protected fishing activities is taxable,¹³³ and the Internal Revenue Service has assessed deficiencies in other cases.¹³⁴

Reasons for Change

In view of the unique relationship between the Federal Government and Indian tribes, the committee believes it is appropriate to provide an exemption from Federal and State taxes for income derived by a member of an Indian tribe, or certain entities owned by members of the tribe, from the exercise of fishing rights guaranteed the tribe by treaty, Federal statute, or executive order.

Explanation of Provisions

The bill provides that income derived by individual members of Indian tribes, or by a qualified Indian entity, from fishing rights-related activity is exempt from Federal and State income taxes.

Federal tax issues

In the case of a self-employed member of an Indian tribe having protected fishing rights, the bill provides that income earned by that individual from fishing rights-related activity is exempt from Federal income taxes and from Federal social security (SECA) tax. Income earned by a corporation, partnership, or other business entity from fishing rights-related activity also is exempt from Federal income taxes if the entity constitutes a "qualified Indian entity," as defined in the bill.¹³⁵ Wages paid to a tribal member employed by another tribal member or by a qualified Indian entity from income derived from fishing rights-related activity are exempt from Federal income taxes, from both the employers' and employees' share of social security (FICA) tax, and from unemployment compensation (FUTA) taxes.¹³⁶ Wages are not exempt from tax

Since 1871, when Congress prohibited further treaty making with Indian tribes, the usual method of dealing with Indian tribes and establishing reservations has been either by statute, executive order, or agreement later approved by an Act of Congress. See, H. Rpt. 100-312, Part 1, at p. 2.

¹³³ See, *Peterson Estate v. Comm'r*, 90 T.C. No. 18 (February 11, 1988); *Earl v. Comm'r*, 78 T.C. 1014 (1982); *Strom v. Comm'r*, 6 T.C. 621 (1946), *aff'd per curiam*, 158 F.2d 520 (9th Cir. 1947).

Prior to the most recent Tax Court decision, however, the Department of Interior had taken the position that treaty or statutory language that reserves fishing rights to Indians preclude Federal taxation of income derived from the exercise of those rights, because otherwise the tax, in essence, would be a charge imposed upon Indians for exercising their fishing rights that was not contemplated at the time the rights were reserved. See, memorandum from Frank K. Richardson, Solicitor for the Department of Interior, to the Secretary of the Interior, dated March 12, 1985.

¹³⁴ In a letter to Senator Daniel J. Evans (R., Washington), dated May 12, 1987, the IRS stated that it will not pursue collection of tax on income derived by Indians from the exercise of protected fishing rights pending consideration of legislation to exempt that income.

¹³⁵ The exemption from tax applies to direct income received by a taxpayer as well as to distributions with respect to an equity interest in a qualified Indian entity to the extent the distribution is attributable to income derived by the entity from fishing rights-related activity.

¹³⁶ Exemption of FICA, SECA, and FUTA taxes has the corollary effect that the wages (and income) are not taken into account in computing social security benefits and unemployment compensation.

under the bill if paid by an employer who is not a tribal member or qualified Indian entity, or if paid to an employee who is not a tribal member.

Definition of fishing rights-related activity

The term "fishing rights-related activity" is defined to include any activity directly related to harvesting (including aquaculture), processing, or transporting fish harvested in the exercise of fishing rights guaranteed by treaty, Federal statute, or executive order,¹³⁷ or the selling of such fish, provided that substantially all of the harvesting of such fish was performed by members of the tribe granted such fishing rights. Thus, only Indian tribes guaranteed fishing rights are included within the scope of the bill, and only members of a tribe may exercise the fishing rights held by that tribe and be eligible for an exemption from tax on income derived therefrom.¹³⁸

Qualified Indian entity

In order to be a "qualified Indian entity," the bill requires that: (1) all of the equity interests in the entity be owned by tribal members;¹³⁹ (2) substantially all of the management functions of the entity be performed by tribal members; and (3) if the entity engages in any substantial processing or transporting of fish,¹⁴⁰ then, except as provided by regulations, at least 90 percent of the annual gross receipts of the entity be derived from the exercise of protected fishing rights.¹⁴¹ In addition, for purposes of determining when income earned as an employee is tax exempt, an entity with respect to which an Indian tribal government exercising its fishing rights satisfies the ownership and management tests is treated as a qualified Indian entity.

A qualified Indian entity may be jointly owned by members of more than one Indian tribe, provided that the entity is engaged in fishing rights related activity of each tribe of which the owners are members. If an entity engages in substantial processing or transporting of fish, then, except as provided by regulations, at least 90 percent of the annual gross receipts must be derived from fishing-rights related activities of tribes whose members own at least 10-percent equity interests in the entity.¹⁴²

¹³⁷ Only fishing rights secured as of March 17, 1988, by a treaty, Federal statute, or executive order are covered by the exemption provided for by the bill. Although the fishing right must have been in existence as of March 17, 1988, it need not have been formally adjudicated or recognized as of that date.

¹³⁸ The committee intends that the rules for determining tribal membership not be expanded significantly by tribes to encompass individuals who do not qualify as tribal members under rules in effect on March 17, 1988.

¹³⁹ Ownership of interests by spouses of tribal members is treated as ownership by tribal members for this purpose.

¹⁴⁰ In this context, "transporting" means the shipment of fish for profit as a separate commercial activity and not the mere carrying of fish from waters where they are harvested to the point of sale or processing.

¹⁴¹ While the determination whether an entity is a qualified Indian entity normally is made on a yearly basis, the committee intends that the Treasury Department may continue to treat entities as qualified Indian entities under the bill in a year in which the 90-percent test is not satisfied solely by reason of extraordinary and nonrecurring events, such as the sale of a boat or other property.

¹⁴² The committee expects that the Treasury Department will issue regulations providing that, for purposes of 90-percent gross receipts test, if an entity processes or transports fish

An entity that fails to satisfy any of the criteria of a qualified Indian entity is not eligible for the exemption from tax provided by the bill, nor is any employee of such an entity eligible under the bill for tax exemption on wages received from such entity. For example, if an entity receives more than 10 percent of its gross receipts in a taxable year from processing fish not harvested by tribal members exercising protected fishing rights, then the entity does not constitute a "qualified Indian entity" for that year, and the entity's income and wages and distributions paid by the entity are not entitled to exemption under the bill. In contrast, if an entity processes fish but 90 percent or more of its annual gross receipts is attributable to fish harvested by tribal members exercising protected fishing rights, then, provided that the entity meets the ownership and management tests, the entity would constitute a qualified Indian entity for that year.

If an entity that is 100 percent owned and managed by tribal members engages solely in harvesting (and selling) of fish, then the entity would be a qualified Indian entity, regardless of the percentage of its annual gross receipts attributable to fish not harvested through the exercise of protected fishing rights. (As with entities engaged in processing or transporting fish, such an entity's income is tax exempt, however, only to the extent it is derived from fishing rights-related activities, as determined pursuant to the allocation rules discussed below.)

Allocation rules

In the case of an individual tribal member or a qualified Indian entity, the bill exempts from income, social security, and other tax, only that income "derived" from fishing rights-related activities. Thus, both individual tribal members and qualified Indian entities are required under the bill to allocate income and expenses among fishing rights-related activities and all other activities.¹⁴³

If, for example, an individual tribal member derives 60 percent of his or her gross income in a taxable year from fishing in protected waters and the remaining 40 percent of his or her gross income from fishing outside of protected waters, then 60 percent of the member's income would be exempt from tax under the bill, and any expense (e.g., operating expenses or depreciation) attributable to such exempt income could not be used to offset gross income derived from fishing outside protected waters or any other income.¹⁴⁴

Allocation rules also would apply to income earned, and wages paid, by a qualified Indian entity. Thus, a 100-percent Indian owned and managed entity that engages solely in harvesting and selling the fish it harvests or that engages in processing (or transporting) fish and obtains at least 90 percent of its annual gross receipts from fishing rights-related activities, would constitute a

caught in protected waters of a tribe whose members own at least 10-percent equity interests in the entity and such fish were caught by members of any other tribe which has recognized fishing rights in those same protected waters (i.e., the protected fishing areas of the tribes overlap), such fish will be deemed to have been caught by members of a tribe whose members own at least 10-percent equity interests in the entity.

¹⁴³ However, allocations between exempt and taxable income would not be required where all but a *de minimis* amount of the income of the individual or entity was derived from protected fishing activities.

¹⁴⁴ See, sec. 265.

qualified Indian entity, but would be entitled under the bill to an exemption from tax only with respect to income attributable to harvesting or processing of fish caught in protected waters by tribal members. Expenses and amounts otherwise deductible that are attributable to such exempt income of the entity could not be used to offset any other income of the entity.

In the case of qualified Indian entities that are jointly owned by members of more than one tribe, wages paid to a tribal member who is an employee (or a distribution made to a shareholder who is a tribal member) would be exempt under the bill only to the extent the income was derived from the exercise of fishing rights of the employee's or owner's tribe. For example, if a qualified Indian entity were jointly owned by members of Tribe A and members of Tribe B, then the entity's income would be exempt to the extent it was derived from the exercise of fishing rights-related activities of Tribe A or Tribe B, but wages (or dividends) paid to an employee (or owner) who is a member of Tribe A would be tax exempt to that individual only to the extent derived from the exercise of fishing rights guaranteed to Tribe A. Income derived from the exercise of fishing rights guaranteed to Tribe B (or from fishing activities not within the scope of a treaty, Federal statute, or executive order) would not be exempt when paid as wages (or a dividend) to a member of Tribe A.

The committee intends that the Treasury Department may adopt regulations providing any reasonable method for allocating wages paid to a tribal member employed by another tribal member or by a qualified Indian entity between wages attributable to the employer's income derived from fishing rights-related activity and wages attributable to other activities. The allocation method could be based, e.g., on the particular activities engaged in by each individual employee or on the employee's pro rata share of the employer's gross income from fishing rights-related activity. Some of these rules should address the extent to which income of owners and employees of entities jointly owned by members of more than one tribe is allocable to the exercise of fishing rights of each of the tribes whose members own or are employed by the entity.

Relationship of bill's provisions to treaties

The bill provides that nothing in the bill shall create any inference as to the existence or non-existence, or the scope, of any exemption from tax for income derived from fishing rights secured as of March 17, 1988, by any treaty, statute, or executive order.

The committee further intends that no inference is to be made that income derived from any other activity guaranteed to Indian tribes by treaties, Federal statutes, or executive orders (e.g., hunting, gathering, or grazing activities) is exempt from taxation.¹⁴⁵

¹⁴⁵ The bill does not affect the income of a tribal government received pursuant to the exercise of an essential governmental function. (See Rev. Rul. 67-284, 1967-2 C.B. 55, 58). However, wages paid to an Indian who was employed by an entity that was owned by his or her tribal government and that engaged in fishing rights-related activities could be exempt from tax under the bill only if the entity satisfied the bill's criteria for a qualified Indian entity (treating the tribal government's ownership as ownership by tribal members).

State tax issues

The bill also amends the United States Code (28 U.S.C. 71) to provide that treaties, Federal statutes, and executive orders under which the rights of any Indian tribe to fish are secured, shall be construed to prohibit imposition under State or local law of any tax on income derived from the exercise of such rights to fish if the income is exempt from tax under Federal law. However, to the extent that the exercise of fishing rights of any Indian tribe is entitled to a broader exemption from State taxes under any other Federal or State law, the committee intends that the bill not impair this additional protection afforded Indian fishing activity.¹⁴⁶

Effective Date

The provisions apply to all taxable years beginning before or after the date of enactment. Thus, only taxes with respect to which the period of limitations for assessment has not expired are governed by the bill. However, the committee intends that all tax disputes currently in litigation either before the Internal Revenue Service or before a court, as well as requests or actions for tax refunds not time barred, will be governed by the provisions of the bill, and that no amount of tax, penalty, or addition to tax will be collected from a taxpayer (regardless of whether the period of limitations for assessing a deficiency has expired) to the extent the underlying deficiency is attributable to income derived from fishing rights-related activity that is exempt from tax under the provisions of the bill.

¹⁴⁶ For instance, income earned by Indians from activities undertaken on a reservation generally are exempt from State taxation. Thus, income earned by an Indian or Indian-owned entity from harvesting or processing fish within reservation boundaries would be exempt from State taxation, regardless of whether the requirements of the bill for exemption from Federal tax are satisfied.

TITLE VI—SOCIAL SECURITY ACT AMENDMENTS

A. OASDI and Related Provisions

1. Continuation of disability benefits during appeal (sec. 601 of the bill)

Present Law

A disability insurance beneficiary who is determined to be no longer disabled may appeal the determination sequentially through three appellate levels within the Social Security Administration (SSA): a reconsideration, usually conducted by the State Disability Determination Service that rendered the initial unfavorable determination; a hearing before an SSA administrative law judge (ALJ); and a review by a member of SSA's Appeals Council.

The beneficiary has the option of having his or her benefits continued through the hearing stage of appeal. If the earlier unfavorable determinations are upheld by the ALJ, the benefits are subject to recovery by the agency. (If an appeal is determined to be in good faith, benefit repayment may be considered for waiver.) Medicare eligibility is also continued, but Medicare benefits are not subject to recovery.

The Omnibus Budget Reconciliation Act of 1987 extended this provision for one year. The Act authorized the payment of interim benefits to persons in the process of appealing termination decisions made before January 1, 1989. Such payments may continue through June 30, 1989 (i.e., through the July 1989 check).

Reason for Change

The provision allowing payment pending appeal was included in the 1984 disability amendments as a temporary measure until an assessment could be made of the adequacy and appropriateness of the new rules for eligibility review included in those amendments. The process of implementing the new review process proved slower than expected, and Congress has still not received from the Administration a full report on this matter. The report is to assess the impact of the continuation of benefits on the Social Security and Medicare Trust Funds and the rate of appeals of disability determinations to administrative law judges. For this reason, an additional one year extension of this provision is appropriate.

Explanation of Provision

The period in which benefits may be paid and Medicare eligibility continued while an appeal is in progress is extended for one additional year. Upon application by the beneficiary, benefits will be paid while an appeal is in progress with respect to unfavorable de-

terminations made on or before December 31, 1989 and will be continued through June 1990 (i.e., through the July 1990 check).

Effective Date

The provision is effective with respect to unfavorable decisions made on or before December 31, 1989.

2. Consolidation of reports on continuing disability reviews (sec. 602 of the bill)

Present Law

The Secretary of Health and Human Services is required to make two types of reports on continuing disability reviews to the Senate Committee on Finance and the House Committee on Ways and Means. The first is a semi-annual report on the results of continuing disability reviews. The second is an annual report on the appropriate number of disability cases to be reviewed in each State.

Explanation of Provision

These two types of reports on continuing disability reviews are to be consolidated into one annual report to be made to the Senate Committee on Finance and the House Committee on Ways and Means. This report will be separate from the Social Security Administration's Annual Report to the Congress.

Effective Date

This provision is effective with respect to reports required to be submitted after the date of enactment.

3. Denial of benefits to individuals deported or ordered deported on the basis of association with the Nazi Government of Germany during World War II (sec. 603 of the bill)

Present Law

People who are deported for violating specified provisions of the Immigration and Nationality Act lose their social security benefits. The list of provisions for which people are denied benefits does not, however, include paragraph 19 of that Act. Paragraph 19, which was added to the Immigration and Nationality Act in 1978, pertains to people deported for certain activities in association with the Nazi government of Germany during World War II.

Explanation of Provision

Benefits to individuals deported as Nazi war criminals under paragraph 19 of the Immigration and Nationality Act are terminated.

Effective Date

The provision applies only in the case of deportations occurring, and final orders of deportation issued, on or after the date of enactment, and only with respect to benefits beginning on or after such date.

4. Requirement of social security number as a condition for receipt of social security benefits (sec. 604 of the bill)

Present Law

Applicants for social security benefits are not required to have social security numbers in order to receive benefits. SSA currently requests that applicants voluntarily provide their social security numbers. Under Federal law, recipients of Aid to Families with Dependent Children, Supplemental Security Income, and Veterans' Assistance benefits are currently required to provide their social security numbers in order to receive benefits under those programs.

Reason for Change

The absence of a social security number for auxiliary and survivor beneficiaries hampers monitoring which might detect duplicate benefit payments, miscredited earnings, or entitlement to other benefits.

Explanation of Provision

Individuals are required to have a social security number in order to receive social security benefits. Those lacking a social security number must apply for one. Beneficiaries currently on the rolls are not subject to this requirement. However, they will be encouraged to provide a correct social security number or to apply for a number if one has not previously been assigned.

Effective Date

The provision is effective with respect to benefit entitlements commencing after the sixth month following the month of enactment.

5. Substitution of certificate of election for application to establish entitlement for certain reduced widow(er)'s benefits (sec. 605 of the bill)

Present Law

An individual who (1) is receiving a combination of a reduced spouse's benefit and either retirement or disability benefits on his or her own record and (2) is between the ages of 62 and 65 when his or her spouse dies, must file an application to receive reduced widow(er)'s benefits.

Those who are over age 65 when the worker dies and who are receiving spouses' benefits or those age 62-65 when the worker dies who are not entitled to their own retirement or disability benefits may receive reduced widow(er)'s benefits by filing a certificate of election rather than an application. An application for a reduced widow(er)'s benefit is generally not effective for months before the month of filing. Thus, a break in entitlement could occur if the application were not filed in a timely fashion.

Explanation of Provision

An individual who is receiving both a reduced spouse's benefit and a retirement or disability benefit and who is between the ages of 62 and 65 when his or her spouse dies, may receive a reduced widow(er)'s benefit by filing a certificate of election. A certificate of election will be effective for up to 12 months before it is filed.

Effective Date

The provision is effective with respect to benefits payable based on the record of individuals who die after the month of enactment.

6. Technical corrections in OASDI provisions (sec. 606 of the bill)

Explanation of Provision

This section of the bill corrects a number of technical errors in the Social Security Act and related laws.

Effective Date

The amendments made by this provision are effective as though they had been included in the legislation amended at the time of its original enactment.

B. AFDC and SSI Provisions

1. Moratorium on emergency assistance, and special needs regulations under AFDC program (sec. 611 of the bill)

Present Law

Under current law, States may operate an emergency assistance program for needy families with children (whether or not eligible for AFDC), if the assistance is necessary to avoid the destitution of the child or to provide living arrangements in a home for the child. The statute authorizes 50-percent Federal matching funds for emergency assistance furnished for a period not in excess of 30 days in a 12-month period. Current regulations state that Federal matching is available for emergency assistance authorized by the State during one period of 30 consecutive days in any 12 consecutive months, including payments which are to meet needs which arose before the 30-day period, or are for such needs as rent which extend beyond the 30 day period.

Under the regular AFDC program, current regulations also allow States to include in their State standards of need, provision for meeting "special needs" of AFDC applicants and recipients. The State plan must specify the circumstances under which payments will be made for special needs.

On December 14, 1987, the Department of Health and Human Services published in the Federal Register a proposed regulation which would have restricted the use of AFDC emergency assistance funds for homeless families and would have limited States' authority to make payments for special needs of AFDC recipients. Specifically, the proposed regulations would have prohibited special needs based on the type of housing and would have prohibited emergency

assistance to cover needs over a period in excess of 30 days per year.

The Omnibus Budget Reconciliation Act of 1987 established a moratorium under which the Secretary of Health and Human Services is directed not to implement the proposed regulations or otherwise modify current policy with respect to the matters addressed in those proposed regulations prior to October 1, 1988.

Explanation of Provision

The bill extends the moratorium on changing current policy with respect to emergency assistance and special needs for homeless families to October 1, 1989.

2. Disregard of certain housing assistance payments in determining income and resources under SSI program (sec. 612 of the bill)

Present Law

Under the Supplemental Security Income (SSI) program, assistance is provided to needy aged, blind, and disabled persons to bring their income up to certain standards established in Federal and State law. In determining eligibility and benefit amount, all other income is taken into account unless it is specifically excluded by statute.

Explanation of Provision

Assistance paid for Housing under the United States Housing Act of 1937, the National Housing Act, section 101 of the housing and Urban Development Act of 1965, title V of the Housing Act of 1949, or section 202(h) of the Housing Act of 1959 is specifically excluded from consideration as income for purposes of determining eligibility and benefit amount under the SSI program.

Effective Date

The provision is effective as though it had been included in section 162 of the Housing and Community Development Act of 1987 at the time of its enactment.

C. Delay in Reporting Date for the National Commission on Children (Sec. 621 of the Bill)

Present Law

The National Commission on Children, authorized under the Omnibus Budget Reconciliation Act of 1987, is required to study and issue a report with recommendations with respect to the following subjects: health of children, social and support services for children and their parents, education, income security, and tax policy. The Commission is composed of 36 members, with the President, the President pro tempore of the Senate, and the Speaker of the House each appointing 12 members. No funds have yet been appropriated for the Commission. However, the Senate's 1989 Labor-HHS appropriations bill includes \$800,000 to fund the Commission. These

funds would become available October 1, 1989, at which time the Commission could begin its work.

Explanation of Provision

Present law requires the Commission to issue an interim report on September 30, 1988, with a final report due March 30, 1989. To accommodate the delay in funding for the Commission, the reporting dates are postponed for one year by the bill. The interim report is due September 30, 1989, and the final report would be due March 30, 1990.

III. BUDGET EFFECTS

In compliance with paragraph 11(a) of Rule XXVI of the Standing Rules of the Senate, the following statement is made relative to the estimated budget effects of S. 2238 as amended and reported by the committee.

The bill as amended is estimated to reduce fiscal year budget receipts by \$53 million in 1988, reduce budget receipts by \$3 million in 1989, increase budget receipts by \$26 million in 1990, and increase budget receipts by \$48 million in 1991. The net budget effect of the bill over fiscal years 1988-91 is to increase budget receipts by \$18 million. (These amounts include the following increases in outlay effects for the railroad unemployment and retirement and Social Security provisions of Titles V and VI of the bill: \$5 million in 1988, \$28 million in 1989, \$41 million in 1990, and \$24 million in 1991, or \$98 million over fiscal years 1988-1991.)

The following table shows the estimated budget effects of S. 2238 as amended for fiscal years 1988-91.

[Millions of Dollars]

543

Item	1988	1989	1990	1991	1988-91
Titles I and II.—Technical Corrections to the Tax Reform Act and Other Revenue Legislation	-48	38	52	44	86
Title III.—Corrections to Diesel Fuel Excise Tax Collection and Exemption Procedures (effective October 1, 1988)		-317	-64	-66	-447
Title IV.—Other Corrections and Modifications					
A. Corporate Estimated Tax Payments.....		315	35	18	368
B. Tax Treatment of Indian Fishing Rights.....		-8	-8	-8	-24
C. Repeal of Limitation on Treasury Long-Term Bond Authority.....					
D. Additional Simplification and Clarification Provisions					
1. Revise sanction for violation of the COBRA health care continuation rules (effective for taxable years beginning after 1988).....	(1)	(1)	(1)	(1)	(2)
2. Simplify fringe benefit non-discrimination rules (sec. 89) (effective for years beginning after 1988).....	(3)	(3)	(3)	(3)	(2)
3. Estate and gift tax: Estate freezes.....		(3)	(3)	-1	-1
Subtotals: Title IV.—Other Corrections and Modifications....		307	27	9	343
Title V.—Railroad Unemployment and Retirement Provisions ⁴	-5	-23	31	61	64
Title VI.—Social Security Act: Minor and Technical Amendments ⁵	-8	-8	-20	(6)	-28
Grand Totals	-53	-3	26	48	18

¹ Gain of less than \$500,000.² Totals are not available for estimates represented by footnotes.³ Loss of less than \$500,000.⁴ Revenue effect net of outlay effect.⁵ Outlay effect.⁶ Increased outlay of less than \$500,000.

IV. REGULATORY IMPACT AND OTHER MATTERS TO BE DISCUSSED UNDER SENATE RULES

A. Regulatory Impact

Pursuant to paragraph 11(b) of Rule XXVI of the Standing Rules of the Senate, the committee makes the following statement concerning the regulatory impact that might be incurred in carrying out the bill (S. 2238) as reported.

Impact on individuals and businesses

Titles I and II of the bill make necessary technical corrections to the Tax Reform Act of 1986 and other recently enacted revenue legislation. These provisions will clarify and correct provisions in recently enacted revenue legislation and thereby will remove many uncertainties and ambiguities in the tax laws for affected individual and business taxpayers.

Title III of the bill makes permanent modifications of the collection and exemption procedures for the excise taxes on diesel and nongasoline aviation fuels, which will lessen the administrative burden on off-highway diesel and nongasoline aviation fuel users that are exempt from the taxes.

Title IV of the bill makes additional necessary or simplifying modifications to certain revenue provisions, including a revision of the corporate estimated tax payments requirements, exemption from Federal and State taxes for certain Indian fishing rights, repeal of the current interest limitation on Treasury long-term bond authority, nondiscrimination rules for statutory employee benefit plans, sanctions for violation of the health care continuation rules, and estate and gift tax "estate freezes."

Title V of the bill makes certain revisions in the railroad unemployment compensation and retirement provisions in order to strengthen the financing and improve the administration of those programs. Title VI makes minor and technical changes to certain Social Security Act provisions.

Impact on personal privacy

The bill generally makes no changes in laws affecting the personal privacy of taxpayers.

Impact on paperwork

The bill authorizes the Treasury Department to issue regulations imposing expanded information reporting requirements on both sellers and exempt purchasers of diesel and nongasoline aviation fuels. Producers selling such fuels to an exempt user without payment of tax may be required to submit to the Treasury Department an annual report containing the sales volume and names of such

**TECHNICAL AND MISCELLANEOUS
REVENUE ACT OF 1988**

CONFERENCE REPORT

TO ACCOMPANY

H.R. 4333



Volume I of 2 Volumes

OCTOBER 21, 1988.—Ordered to be printed

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TECHNICAL AND MISCELLANEOUS REVENUE ACT OF 1988

OCTOBER 21, 1988.—Ordered to be printed

Mr. ROSTENKOWSKI, from the committee of conference,
submitted the following

CONFERENCE REPORT

[To accompany H.R. 4333]

The committee of conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H.R. 4333) to make technical corrections relating to the Tax Reform Act of 1986, and for other purposes, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the House recede from its disagreement to the amendment of the Senate and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

SECTION 1. SHORT TITLE; ETC.

(a) *SHORT TITLE.*—This Act may be cited as the “Technical and Miscellaneous Revenue Act of 1988”.

(b) *DEFINITIONS.*—For purposes of this Act—

(1) *1986 CODE.*—The term “1986 Code” means the Internal Revenue Code of 1986.

(2) *REFORM ACT.*—Except where incompatible with the intent, the term “Reform Act” means the Tax Reform Act of 1986.

(c) *CLERICAL AMENDMENT.*—Paragraph (29) of section 7701(a) of the 1986 Code is amended by striking out “of 1954” and inserting in lieu thereof “of 1986”.

(d) *TABLE OF CONTENTS.*—

TITLE I—TECHNICAL CORRECTIONS TO TAX REFORM ACT OF 1986

Sec. 1001. Amendments related to title I of the Reform Act.

Sec. 1002. Amendments related to title II of the Reform Act.

Sec. 1003. Amendments related to title III of the Reform Act.

Sec. 1004. Amendments related to title IV of the Reform Act.

Sec. 1005. Amendments related to title V of the Reform Act.

- Sec. 1006. Amendments related to title VI of the Reform Act.*
- Sec. 1007. Amendments related to title VII of the Reform Act.*
- Sec. 1008. Amendments related to title VIII of the Reform Act.*
- Sec. 1009. Amendments related to title IX of the Reform Act.*
- Sec. 1010. Amendments related to title X of the Reform Act.*
- Sec. 1011. Amendments related to parts I and II of subtitle A of title XI of the Reform Act.*
- Sec. 1011A. Amendments related to parts III and IV of subtitle A of title XI of the Reform Act.*
- Sec. 1011B. Amendments related to subtitles B and C of title XI of the Reform Act.*
- Sec. 1012. Amendments related to title XII of the Reform Act.*
- Sec. 1013. Amendments related to title XIII of the Reform Act.*
- Sec. 1014. Amendments related to title XIV of the Reform Act.*
- Sec. 1015. Amendments related to title XV of the Reform Act.*
- Sec. 1016. Amendments related to title XVI of the Reform Act.*
- Sec. 1017. Amendments related to title XVII of the Reform Act.*
- Sec. 1018. Amendments related to title XVIII of the Reform Act.*
- Sec. 1019. Effective date.*

TITLE II—AMENDMENTS RELATED TO TAX PROVISIONS IN OTHER LEGISLATION

- Sec. 2001. Amendments related to Superfund Revenue Act of 1986.*
- Sec. 2002. Amendments related to Harbor Maintenance Revenue Act of 1986.*
- Sec. 2003. Amendments related to Omnibus Budget Reconciliation Act of 1986.*
- Sec. 2004. Amendments related to the Revenue Act of 1987.*
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as a scholarship or fellowship for study, training, or research in the United States."

(B) Subsection (c) of section 871 of the 1986 Code is amended—

(i) by striking out "section 1441(b)(1) or (2)" and inserting in lieu thereof "the second sentence of section 1441(b)"; and

(ii) by striking out "(F) or (J)" each place it appears and inserting in lieu thereof "(F), (J), or (M)".

(C) The following provisions of the 1986 Code are each amended by striking out "(F) or (J)" each place it appears and inserting in lieu thereof "(F), (J), or (M)":

(i) Section 3121(b)(19).

(ii) Section 3231(e)(1).

(iii) Section 3306(c)(19).

(D) Clause (i)(I) of section 7701(b)(5)(D) of the 1986 Code is amended by striking out "subparagraph (F)" and inserting in lieu thereof "subparagraph (F) or (M)".

(E) Section 210(a)(19) of the Social Security Act is amended by striking out "(F) or (J)" each place it appears and inserting in lieu thereof "(F), (J), or (M)".

(e) AMENDMENT RELATED TO SECTION 131 OF THE REFORM ACT.—Subsection (f) of section 86 of the 1986 Code is amended by inserting "and" at the end of paragraph (3), by striking out paragraph (4), and by redesignating paragraph (5) as paragraph (4).

(f) AMENDMENTS RELATED TO SECTION 132 OF THE REFORM ACT.—

(1) Section 67 of the 1986 Code is amended by adding at the end thereof the following new subsection:

"(f) COORDINATION WITH OTHER LIMITATION.—This section shall be applied before the application of the dollar limitation of the last sentence of section 162(a) (relating to trade or business expenses)."

(2) Paragraph (4) of section 67(b) of the 1986 Code is amended—

(A) by striking out "deduction" and inserting in lieu thereof "deductions", and

(B) by inserting before the comma at the end thereof "and section 642(c) (relating to deduction for amounts paid or permanently set aside for a charitable purpose)".

(3) Subsection (e) of section 67 of the 1986 Code is amended to read as follows:

"(e) DETERMINATION OF ADJUSTED GROSS INCOME IN CASE OF ESTATES AND TRUSTS.—For purposes of this section, the adjusted gross income of an estate or trust shall be computed in the same manner as in the case of an individual, except that—

"(1) the deductions for costs which are paid or incurred in connection with the administration of the estate or trust and which would not have been incurred if the property were not held in such trust or estate, and

"(2) the deductions allowable under sections 642(b), 651, and 661,

shall be treated as allowable in arriving at adjusted gross income. Under regulations, appropriate adjustments shall be made in the application of part I of subchapter J of this chapter to take into account the provisions of this section."

(4) Subsection (c) of section 67 of the 1986 Code is amended by striking out the last sentence and inserting in lieu thereof the following: "The preceding sentence shall not apply—

"(1) with respect to cooperatives and real estate investment trusts, and

"(2) except as provided in regulations, with respect to estates and trusts."

(g) AMENDMENTS RELATED TO SECTION 142 OF THE REFORM ACT.—

(1) Subparagraph (A) of section 274(n)(2) of the 1986 Code is amended to read as follows:

"(A) such expense is described in paragraph (2), (3), (4), (7), (8), or (9) of subsection (e),"

(2) Paragraph (2) of section 274(k) of the 1986 Code is amended to read as follows:

"(2) EXCEPTIONS.—Paragraph (1) shall not apply to—

"(A) any expense described in paragraph (2), (3), (4), (7), (8), or (9) of subsection (e), and

"(B) any other expense to the extent provided in regulations."

(3) Clause (ii) of section 274(m)(1)(B) of the 1986 Code is amended to read as follows:

"(ii) any expense described in paragraph (2), (3), (4), (7), (8), or (9) of subsection (e)."

(4)(A) Paragraph (2) of section 274(n) of the 1986 Code is amended—

(i) by striking "or" at the end of subparagraph (C),

(ii) by striking the period at the end of subparagraph (D) and inserting "or", and

(iii) by adding at the end thereof the following:

"(E) in the case of an employer who pays or reimburses moving expenses of an employee, such expenses are includible in the income of the employee under section 82.

In the case of the employee, the exception of subparagraph (A) shall not apply to expenses described in subparagraph (E)."

(B) The following provisions of the 1986 Code are each amended by striking out "section 217" and inserting in lieu thereof "section 217 (determined without regard to section 274(n))":

(i) Section 3121(a)(11).

(ii) Section 3306(b)(9).

(iii) Section 3401(a)(15).

(C) Section 209(k) of the Social Security Act is amended by striking out "section 217 of the Internal Revenue Code of 1954" and inserting in lieu thereof "section 217 of the Internal Revenue Code of 1986 (determined without regard to section 274(n) of such Code)".

(5) Paragraphs (1) and (2) of section 274(h) of the 1986 Code are each amended by striking out "trade or business that" and inserting in lieu thereof "trade or business and that".

(h) AMENDMENTS RELATED TO SECTION 143 OF THE REFORM ACT.—

as are necessary to insure that excess contributions are distributed in accordance with subparagraph (C), including—

“(i) reporting requirements, and

“(ii) requirements which, notwithstanding paragraph (4), provide that contributions (and any income allocable thereto) may not be withdrawn from a simplified employee pension until a determination has been made that the requirements of subparagraph (A)(iii) have been met with respect to such contributions.”

(5) Section 408(d) of the 1986 Code (relating to tax treatment of distributions) is amended by adding at the end thereof the following new paragraph:

“(7) SPECIAL RULES FOR SIMPLIFIED EMPLOYEE PENSIONS.—

“(A) TRANSFER OR ROLLOVER OF CONTRIBUTIONS PROHIBITED UNTIL DEFERRAL TEST MET.—Notwithstanding any other provision of this subsection or section 72(t), paragraph (1) and section 72(t)(1) shall apply to the transfer or distribution from a simplified employee pension of any contribution under a salary reduction arrangement described in subsection (k)(6) (or any income allocable thereto) before a determination as to whether the requirements of subsection (k)(6)(A)(iii) are met with respect to such contribution.

“(B) CERTAIN EXCLUSIONS TREATED AS DEDUCTIONS.—For purposes of paragraphs (4) and (5) and section 4973, any amount excludable or excluded from gross income under section 402(h) shall be treated as an amount allowable or allowed as a deduction under section 219.”

(6) Subparagraph (C) of section 404(h)(1) of the 1986 Code is amended by inserting “(or during the taxable year in the case of a taxable year described in subparagraph (A)(ii))” after “taxable year” the second place it appears.

(7) Section 1108(h) of the Reform Act is amended to read as follows:

“(h) EFFECTIVE DATES.—

“(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to years beginning after December 31, 1986.

“(2) INTEGRATION RULES.—Subparagraphs (D) and (E) of section 408(k)(3) of the Internal Revenue Code of 1954 (as in effect before the amendments made by this section) shall continue to apply for years beginning after December 31, 1986, and before January 1, 1989, except that employer contributions under an arrangement under section 408(k)(6) of the Internal Revenue Code of 1986 (as added by this section) may not be integrated under such subparagraphs.”

(8) Section 209(e)(8) of the Social Security Act is amended to read as follows:

“(8) under a simplified employee pension (as defined in section 408(k)(1) of such Code), other than any contributions described in section 408(k)(6) of such Code,”.

(9) Section 3401(a)(12)(C) of the 1986 Code is amended—

(A) by striking out “section 219” and inserting in lieu thereof “section 402(h) (1) and (2)”, and

include any amount which is includible in gross income by reason of section 89."

(C) Section 3306 of the 1986 Code (relating to definitions) is amended by adding at the end thereof the following new subsection:

"(t) **BENEFITS PROVIDED UNDER CERTAIN EMPLOYEE BENEFIT PLANS.**—Notwithstanding any paragraph of subsection (b) (other than paragraph (1)), the term 'wages' shall include any amount which is includible in gross income by reason of section 89."

(D) Section 3401 of the 1986 Code (relating to definitions) is amended by adding at the end thereof the following new subsection:

"(g) **BENEFITS PROVIDED UNDER CERTAIN EMPLOYEE BENEFIT PLANS.**—Notwithstanding any paragraph of subsection (a), the term 'wages' shall include any amount which is includible in gross income by reason of section 89."

(E) The third to last sentence of section 209 of the Social Security Act is amended—

(i) by striking out the period at the end of clause (2) and inserting in lieu thereof "or"; and

(ii) by inserting after clause (2) the following new clause:

"(3) Any amount required to be included in gross income under section 89 of the Internal Revenue Code of 1986."

(F) The amendments made by this paragraph shall not apply to any individual who separated from service with the employer before January 1, 1989.

(23)(A) Sections 3121(a)(5)(G) and 3306(b)(5)(G) of the 1986 Code are each amended by inserting "if such payment would not be treated as wages without regard to such plan and it is reasonable to believe that (if section 125 applied for purposes of this section) section 125 would not treat any wages as constructively received" after "section 125)".

(B) Section 209(e)(9) of the Social Security Act is amended by inserting "if such payment would not be treated as wages without regard to such plan and it is reasonable to believe that (if section 125 applied for purposes of this section) section 125 would not treat any wages as constructively received" after "1986)".

(24) Section 1151(h)(3) of the Reform Act is amended by striking out "Section 6039B(c)" and inserting in lieu thereof "Section 6039D(c)".

(25) Paragraph (1) of section 1151(k) of the Reform Act is amended by adding at the end thereof the following new sentence: "Notwithstanding the preceding sentence, the amendments made by subsections (e)(1) and (i)(3)(C) shall, to the extent they relate to sections 106, 162(i)(2), and 162(k) of the Internal Revenue Code of 1986, apply to years beginning after 1986."

(26) Section 1151(k) of the Reform Act is amended by adding at the end thereof the following new paragraph:

"(6) **CERTAIN PLANS MAINTAINED BY EDUCATIONAL INSTITUTIONS.**—If an educational organization described in section 170(b)(1)(A)(ii) of the Internal Revenue Code of 1986 makes an election under this paragraph with respect to a plan described in section 125(c)(2)(C) of such Code, the amendments made by

(ii) by inserting at the end thereof the following new paragraph:

“(8) **EXCLUDED EMPLOYEES.**—For purposes of paragraphs (2), (3), and (7), there shall be excluded from consideration employees who are excluded from consideration under section 89(h).”

(B) Sections 117(d)(4), 120(c)(2), 127(b)(2), 132(h)(1), and 505(b)(2) of the 1986 Code are each amended—

(i) by striking out “may” the first place it appears and inserting in lieu thereof “shall”, and

(ii) by striking out “may be” the second place it appears and inserting in lieu thereof “are”.

(32) Section 505(b) of the 1986 Code is amended by adding at the end thereof the following new paragraph:

“(7) **\$200,000 COMPENSATION LIMIT.**—A plan shall not be treated as meeting the requirements of this subsection unless under the plan the annual compensation of each employee taken into account for any year does not exceed \$200,000. The Secretary shall adjust the \$200,000 amount at the same time and in the same manner as under section 415(d).”

(33) Section 3401(a) of the 1986 Code is amended by inserting “or” at the end of paragraph (18), by striking out paragraph (19), and by redesignating paragraph (20) as paragraph (19).

(34) Section 89(l)(2) of the 1986 Code is amended by striking out “6652(l)” and inserting in lieu thereof “6652(k)”.

(b) **AMENDMENTS RELATED TO SECTION 1161 OF THE REFORM ACT.**—

(1) Section 162(m) of the 1986 Code (relating to special rules for health insurance costs of self-employed individuals) is amended by redesignating paragraph (4) as paragraph (5) and by inserting after paragraph (3) the following new paragraph:

“(4) **DEDUCTION NOT ALLOWED FOR SELF-EMPLOYMENT TAX PURPOSES.**—The deduction allowable by reason of this subsection shall not be taken into account in determining an individual’s net earnings from self-employment (within the meaning of section 1402(a)) for purposes of chapter 2.”

(2) Section 162(m) of the 1986 Code (relating to cross reference) as redesignated by section 1161(a) of the Reform Act, is redesignated as subsection (n).

(3) Section 162(m)(2)(A) of the 1986 Code is amended by inserting: “derived by the taxpayer from the trade or business with respect to which the plan providing the medical care coverage is established” after “401(c)”.

(4) Section 211(a) of the Social Security Act is amended by inserting after paragraph (13) the following new paragraph:

“(14) The deduction under section 162(m) (relating to health insurance costs of self-employed individuals) shall not be allowed.”

(c) **AMENDMENTS RELATED TO SECTION 1163 OF THE REFORM ACT.**—

(1) Paragraph (8) of section 129(e) of the 1986 Code (relating to treatment of onsite facilities) is amended—

(A) by inserting “maintained by an employer” after “onsite facility”,

SEC. 3042. STATE TAX TREATMENT OF INCOME DERIVED BY INDIANS FROM EXERCISE OF FISHING RIGHTS SECURED BY TREATY, ETC.

Section 2079 of the Revised Statutes (25 U.S.C. 71) is amended by adding at the end thereof the following new sentence: "Such treaties, and any Executive orders and Acts of Congress under which the rights of any Indian tribe to fish are secured, shall be construed to prohibit (in addition to any other prohibition) the imposition under any law of a State or political subdivision thereof of any tax on any income derived from the exercise of rights to fish secured by such treaty, Executive order, or Act of Congress if section 7873 of the Internal Revenue Code of 1986 does not permit a like Federal tax to be imposed on such income."

SEC. 3043. CONFORMING AMENDMENTS RELATING TO COVERAGE UNDER OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE PROGRAM.

(a) **EXCLUSION FROM WAGES OF INCOME DERIVED BY INDIANS FROM EXERCISE OF FISHING RIGHTS.**—Section 209 of the Social Security Act (42 U.S.C. 409) is amended—

- (1) in subsection (r), by striking out "or" at the end;
- (2) in subsection (s), by striking out the period and inserting in lieu thereof "; or"; and
- (3) by inserting after subsection (s) the following new subsection:

"(t) Remuneration consisting of income excluded from taxation under section 7873 of the Internal Revenue Code of 1986 (relating to income derived by Indians from exercise of fishing rights)."

(b) **EXCLUSION FROM NET EARNINGS FROM SELF-EMPLOYMENT OF INCOME DERIVED BY INDIANS FROM EXERCISE OF FISHING RIGHTS.**—Section 211(a) of such Act (42 U.S.C. 411(a)) is amended—

- (1) in paragraph (12), by striking out "and" at the end;
- (2) in paragraph (13), by striking out the period and inserting in lieu thereof "; and"; and
- (3) by inserting after paragraph (13) the following new paragraph:

"(14) There shall be excluded income excluded from taxation under section 7873 of the Internal Revenue Code of 1986 (relating to income derived by Indians from exercise of fishing rights)."

(c) **CROSS-REFERENCES IN SECA AND FICA TO APPLICABLE INDIAN FISHING RIGHTS PROVISIONS.**—

(1) **SECA.**—Subsection (a) of section 1402 of the 1986 Code (relating to net earnings from self-employment) is amended by striking out "and" at the end of paragraph (13), by striking out the period at the end of paragraph (14) and inserting in lieu thereof "; and", and by inserting after paragraph (14) the following new paragraph:

"(15) in the case of a member of an Indian tribe, the special rules of section 7873 (relating to income derived by Indians from exercise of fishing rights) shall apply."

(2) **FICA.**—Subsection (a) of section 3121 of the 1986 Code (relating to wages) is amended by striking out "or" at the end of paragraph (19), by striking out the period at the end of paragraph (20) and inserting in lieu thereof "; or", and by inserting after paragraph (20) the following new paragraph:

TITLE VIII—AMENDMENTS RELATING TO SOCIAL SECURITY ACT PROGRAMS

Subtitle A—Old-Age, Survivors, and Disability Insurance and Related Provisions

SEC. 8001. INTERIM DISABILITY BENEFITS IN CASES OF DELAYED FINAL DECISIONS.

(a) **DISABILITY BENEFITS UNDER TITLE II.**—Section 223 of the Social Security Act (42 U.S.C. 423) is amended—

- (1) by redesignating subsection (h) as subsection (i); and
- (2) by inserting after subsection (g) the following new subsection:

“Interim Benefits in Cases of Delayed Final Decisions

“(h)(1) In any case in which an administrative law judge has determined after a hearing as provided under section 205(b) that an individual is entitled to disability insurance benefits or child’s, widow’s, or widower’s insurance benefits based on disability and the Secretary has not issued his final decision in such case within 110 days after the date of the administrative law judge’s determination, such benefits shall be currently paid for the months during the period beginning with the month preceding the month in which such 110-day period expires and ending with the month preceding the month in which such final decision is issued.

“(2) For purposes of paragraph (1), in determining whether the 110-day period referred to in paragraph (1) has elapsed, any period of time for which the action or inaction of such individual or such individual’s representative without good cause results in the delay in the issuance of the Secretary’s final decision shall not be taken into account to the extent that such period of time exceeds 20 calendar days.

“(3) Any benefits currently paid under this title pursuant to this subsection (for the months described in paragraph (1)) shall not be considered overpayments for any purpose of this title (unless payment of such benefits was fraudulently obtained), and such benefits shall not be treated as past-due benefits for purposes of section 206(b)(1).”

(b) **BENEFITS UNDER TITLE XVI.**—Section 1631(a) of such Act (42 U.S.C. 1383(a)) is amended by adding at the end the following new paragraph:

“(8)(A) In any case in which an administrative law judge has determined after a hearing as provided in subsection (c) that an individual is entitled to benefits based on disability or blindness under this title and the Secretary has not issued his final decision in such case within 110 days after the date of the administrative law judge’s determination, such benefits shall be currently paid for the months during the period beginning with the month in which such 110-day period expires and ending with the month in which such final decision is issued.

"(B) For purposes of subparagraph (A), in determining whether the 110-day period referred to in subparagraph (A) has elapsed, any period of time for which the action or inaction of such individual or such individual's representative without good cause results in the delay in the issuance of the Secretary's final decision shall not be taken into account to the extent that such period of time exceeds 20 calendar days.

"(C) Any benefits currently paid under this title pursuant to this paragraph (for the months described in subparagraph (A)) shall not be considered overpayments for any purposes of this title, unless payment of such benefits was fraudulently obtained."

(c) **EFFECTIVE DATE.**—The amendments made by this section shall apply to determinations by administrative law judges of entitlement to benefits made after 180 days after the date of the enactment of this Act.

SEC. 8002. APPLICATION OF EARNINGS TEST IN YEAR OF INDIVIDUAL'S DEATH.

(a) **YEAR IN WHICH INDIVIDUAL WOULD HAVE ATTAINED RETIREMENT AGE BUT FOR THE INDIVIDUAL'S DEATH IN SUCH YEAR TREATED AS A YEAR THROUGHOUT WHICH THE EARNINGS TEST FOR INDIVIDUALS WHO HAVE ATTAINED RETIREMENT AGE IS APPLICABLE.**—Paragraph (3) of section 203(f) of the Social Security Act (42 U.S.C. 403(f)(3)) is amended by inserting "(or, but for the individual's death, would have attained)" after "who has attained".

(b) **ELIMINATION OF THE SHORT TAXABLE YEAR IN THE YEAR OF DEATH FOR PURPOSES OF THE EARNINGS TEST.**—Paragraph (3) of section 203(f) of such Act is further amended—

(1) by inserting after the first sentence the following new sentence: "For purposes of the preceding sentence, notwithstanding section 211(e), the number of months in the taxable year in which an individual dies shall be 12."; and

(2) in the last sentence, by striking "preceding sentence" and inserting "first sentence of this paragraph".

(c) **EFFECTIVE DATE.**—The amendments made by this section shall apply to deaths after the date of the enactment of this Act.

SEC. 8003. PHASEOUT OF REDUCTION IN WINDFALL BENEFITS.

(a) **IN GENERAL.**—Section 215(a)(7)(D) of the Social Security Act (42 U.S.C. 415(a)(7)(D)) is amended—

(1) by striking "more than 25 years of coverage" in the second sentence and inserting "more than 20 years of coverage"; and

(2) by striking "shall (if such percent is smaller than the percent specified in whichever of the following clauses applies) be deemed to be—" and inserting "shall (if such percent is smaller than the applicable percent specified in the following table) be deemed to be the applicable percent specified in the following table."; and

(3) by striking clauses (i) through (iv) and inserting the following table:

<i>"If the number of such individual's years of coverage (as so defined) is:</i>	<i>The applicable percent is:</i>
29.....	85 percent
28.....	80 percent
27.....	75 percent
26.....	70 percent

<i>"If the number of such individual's years of coverage (as so defined) is:</i>	<i>The applicable percent is:</i>
25.....	65 percent
24.....	60 percent
23.....	55 percent
22.....	50 percent
21.....	45 percent."

(b) **EFFECTIVE DATE.**—The amendments made by subsection (a) shall apply to benefits payable for months after December 1988.

SEC. 8004. DENIAL OF BENEFITS TO INDIVIDUALS DEPORTED OR ORDERED DEPORTED ON THE BASIS OF ASSOCIATIONS WITH THE NAZI GOVERNMENT OF GERMANY DURING WORLD WAR II.

(a) **IN GENERAL.**—Section 202(n)(1) of the Social Security Act (42 U.S.C. 402(n)(1)) is amended by striking "or (18)" in the matter preceding subparagraph (A) and inserting "(18), or (19)".

(b) **TIME OF DEPORTATION.**—Section 202(n) of such Act is further amended by adding at the end the following new paragraph:

"(3) For purposes of paragraphs (1) and (2) of this subsection, an individual against whom a final order of deportation has been issued under paragraph (19) of section 241(a) of the Immigration and Nationality Act (relating to persecution of others on account of race, religion, national origin, or political opinion, under the direction of or in association with the Nazi government of Germany or its allies) shall be considered to have been deported under such paragraph (19) as of the date on which such order became final."

(c) **EFFECTIVE DATE.**—The amendments made by this section shall apply only in the case of deportations occurring, and final orders of deportation issued, on or after the date of enactment of this Act, and only to benefits for months beginning (and deaths occurring) on or after such date.

SEC. 8005. MODIFICATIONS IN THE TERM OF OFFICE OF PUBLIC MEMBERS OF THE BOARD OF TRUSTEES OF THE SOCIAL SECURITY TRUST FUNDS.

(a) **IN GENERAL.**—Sections 201(c), 1817(b), and 1841(b) of the Social Security Act (42 U.S.C. 401(c), 1395i(b), 1395t(b)(i)) are each amended by inserting after the first sentence the following: "A member of the Board of Trustees serving as a member of the public and nominated and confirmed to fill a vacancy occurring during a term shall be nominated and confirmed only for the remainder of such term. An individual nominated and confirmed as a member of the public may serve in such position after the expiration of such member's term until the earlier of the time at which the member's successor takes office or the time at which a report of the Board is first issued under paragraph (2) after the expiration of the member's term."

(b) **EFFECTIVE DATE.**—The amendments made by this section shall apply to members of the Boards of Trustees of the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund, of the Federal Hospital Insurance Trust Fund, and of the Federal Supplementary Medical Insurance Trust Fund serving on such Boards of Trustees as members of the public on or after the date of the enactment of this Act.

SEC. 8006. CONTINUATION OF DISABILITY BENEFITS DURING APPEAL.

Subsection (g) of section 223 of the Social Security Act (42 U.S.C. 423(g)) is amended—

(1) in paragraph (1)(iii), by striking “June 1989” and inserting “June 1990”; and

(2) in paragraph (3)(B), by striking “January 1, 1989” and inserting “January 1, 1990”.

SEC. 8007. EXEMPTION FROM SOCIAL SECURITY FOR EMPLOYERS AND EMPLOYEES WHO ARE BOTH MEMBERS OF CERTAIN RELIGIOUS FAITHS.**(a) EXEMPTION FROM COVERAGE UNDER SOCIAL SECURITY.—**

(1) **IN GENERAL.**—Subchapter C of chapter 21 of the Internal Revenue Code of 1986 (general provisions under Federal Insurance Contributions Act) is amended by redesignating section 3127 as section 3128, and by inserting after section 3126 the following new section:

“SEC. 3127. EXEMPTION FOR EMPLOYERS AND THEIR EMPLOYEES WHERE BOTH ARE MEMBERS OF RELIGIOUS FAITHS OPPOSED TO PARTICIPATION IN SOCIAL SECURITY ACT PROGRAMS.

“(a) **IN GENERAL.**—Notwithstanding any other provision of this chapter (and under regulations prescribed to carry out this section), in any case where—

“(1) an employer is a member of a recognized religious sect or division thereof described in section 1402(g)(1) and an adherent of established tenets or teachings of such sect or division as described in such section, and has filed and had approved under subsection (b) an application (in such form and manner, and with such official, as may be prescribed by such regulations) for an exemption from the taxes imposed by section 3111, and

“(2) an employee of such employer who is also a member of such a religious sect or division and an adherent of its established tenets or teachings has filed and had approved under subsection (b) an identical application for exemption from the taxes imposed by section 3101,

such employer shall be exempt from the taxes imposed by section 3111 with respect to wages paid to each of his employees who meets the requirements of paragraph (2) and each such employee shall be exempt from the taxes imposed by section 3101 with respect to such wages paid to him by such employer.

“(b) **APPROVAL OF APPLICATION.**—An application for exemption filed by an employer under subsection (a)(1) or by an employee under subsection (a)(2) shall be approved only if—

“(1) such application contains or is accompanied by the evidence described in section 1402(g)(1)(A) and a waiver described in section 1402(g)(1)(B),

“(2) the Secretary of Health and Human Services makes the findings (with respect to such sect or division) described in section 1402(g)(1)(C), (D), and (E), and

“(3) no benefit or other payment referred to in section 1402(g)(1)(B) became payable (or, but for section 203 or 222(b) of the Social Security Act, would have become payable) to the individual filing the application at or before the time of such filing.

"(c) EFFECTIVE PERIOD OF EXEMPTION.—An exemption granted under this section to any employer with respect to wages paid to any of his employees, or granted to any such employee, shall apply with respect to wages paid by such employer during the period—

"(1) commencing with the first day of the first calendar quarter, after the quarter in which such application is filed, throughout which such employer or employee meets the applicable requirements specified in subsections (a) and (b), and

"(2) ending with the last day of the calendar quarter preceding the first calendar quarter thereafter in which (A) such employer or the employee involved ceases to meet the applicable requirements of subsection (a), or (B) the sect or division thereof of which such employer or employee is a member is found by the Secretary of Health and Human Services to have ceased to meet the requirements of subsection (b)(2)."

(2) CLERICAL AMENDMENT.—The table of sections for such subchapter C of such Code is amended by striking the last item and inserting the following:

"Sec. 3127. Exemption for employers and their employees where both are members of religious faiths opposed to participation in Social Security Act programs.

"Sec. 3128. Short title."

(b) CONFORMING EXEMPTION FROM ELIGIBILITY FOR BENEFITS.—Section 202(v) of the Social Security Act (42 U.S.C. 402(v)) is amended—

(1) by inserting "(1)" after "(v)";

(2) by inserting "and subject to paragraph (3)," after "title,";

(3) by striking "waiver; except that" and all that follows and inserting "waiver."; and

(4) by adding at the end the following new paragraphs:

"(2) Notwithstanding any other provision of this title, and subject to paragraph (3), in the case of any individual who files a waiver pursuant to section 3127 of the Internal Revenue Code of 1986 and is granted a tax exemption thereunder, no benefits or other payments shall be payable under this title to him, no payments shall be made on his behalf under part A of title XVIII, and no benefits or other payments under this title shall be payable on the basis of his wages and self-employment income to any other person, after the filing of such waiver.

"(3) If, after an exemption referred to in paragraph (1) or (2) is granted to an individual, such exemption ceases to be effective, the waiver referred to in such paragraph shall cease to be applicable in the case of benefits and other payments under this title and part A of title XVIII to the extent based on—

"(A) his wages for and after the calendar year following the calendar year in which occurs the failure to meet the requirements of section 1402(g) or 3127 on which the cessation of such exemption is based, and

"(B) his self-employment income for and after the taxable year in which occurs such failure."

(c) CONFORMING AMENDMENTS REMOVING TIME LIMIT ON SECA EXEMPTION APPLICATIONS.—Section 1402(g) of the Internal Revenue Code of 1986 is amended—

(1) by striking paragraphs (2) and (4); and

(2) by redesignating paragraphs (3) and (5) as paragraphs (2) and (3), respectively.

(d) **EFFECTIVE DATES.**—The amendments made by subsection (a) shall apply to wages paid after December 31, 1988. The amendments made by subsection (b) shall apply to benefits paid for (and items and services furnished in) months after December 1988. The amendments made by subsection (c) shall apply to applications for exemptions filed on or after the date of the enactment of this Act.

SEC. 8008. BLOOD DONOR LOCATOR SERVICE.

(a) **EXPLICIT AUTHORIZATION OF USE OF SOCIAL SECURITY ACCOUNT NUMBERS TO ASSIST IN IDENTIFICATION OF BLOOD DONORS.**—Section 205(c)(2) of the Social Security Act (42 U.S.C. 405(c)(2)) is amended—

(1) by redesignating subparagraph (D) as subparagraph (E); and

(2) by inserting after subparagraph (C) the following new subparagraph:

“(D)(i) It is the policy of the United States that—

“(I) any State (or any political subdivision of a State) and any authorized blood donation facility may utilize the social security account numbers issued by the Secretary for the purpose of identifying blood donors, and

“(II) any State (or political subdivision of a State) may require any individual who donates blood within such State (or political subdivision) to furnish to such State (or political subdivision), to any agency thereof having related administrative responsibility, or to any authorized blood donation facility the social security account number (or numbers, if the donor has more than one such number) issued to the donor by the Secretary.

“(ii) If and to the extent that any provision of Federal law enacted before the date of the enactment of this subparagraph is inconsistent with the policy set forth in clause (i), such provision shall, on and after such date, be null, void, and of no effect.

“(iii) For purposes of this subparagraph—

“(I) the term ‘authorized blood donation facility’ means an entity described in section 1141(h)(1)(B), and

“(II) the term ‘State’ includes the District of Columbia, the Commonwealth of Puerto Rico, the Virgin Islands, Guam, the Commonwealth of the Northern Marianas, and the Trust Territory of the Pacific Islands.”

(b) **ESTABLISHMENT OF BLOOD DONOR LOCATOR SERVICE.**—

(1) **IN GENERAL.**—Part A of title XI of such Act (42 U.S.C. 1301 et seq.) is amended by adding at the end the following new section:

“**BLOOD DONOR LOCATOR SERVICE**

“**SEC. 1141. (a) IN GENERAL.**—The Secretary shall establish and conduct a Blood Donor Locator Service, under the direction of the Commissioner of Social Security, which shall be used to obtain and transmit to any authorized person (as defined in subsection (h)(1)) the most recent mailing address of any blood donor who, as indicated by the donated blood or products derived therefrom or by the his-

tory of the subsequent use of such blood or blood products, has or may have the virus for acquired immune deficiency syndrome, in order to inform such donor of the possible need for medical care and treatment.

"(b) PROVISION OF ADDRESS INFORMATION.—Whenever the Secretary receives a request, filed by an authorized person (as defined in subsection (h)(1)), for the mailing address of a donor described in subsection (a) and the Secretary is reasonably satisfied that the requirements of this section have been met with respect to such request, the Secretary shall promptly undertake to provide the requested address information from—

"(1) the files and records maintained by the Social Security Administration, and

"(2) such files and records obtained pursuant to section 6103(m)(6) of the Internal Revenue Code of 1986 as the Secretary considers necessary to comply with such request.

"(c) MANNER AND FORM OF REQUESTS.—A request for address information under this section shall be filed in such manner and form as the Secretary shall by regulation prescribe, shall include the blood donor's social security account number, and shall be accompanied or supported by such documents as the Secretary may determine to be necessary.

"(d) PROCEDURES AND SAFEGUARDS.—Any authorized person shall, as a condition for receiving address information from the Blood Donor Locator Service—

"(1) establish and maintain, to the satisfaction of the Secretary, a system for standardizing records with respect to any request, the reason for such request, and the date of such request made by or of it and any disclosure of address information made by or to it,

"(2) establish and maintain, to the satisfaction of the Secretary, a secure area or place in which such address information and all related blood donor records shall be stored,

"(3) restrict, to the satisfaction of the Secretary, access to the address information and related blood donor records only to persons whose duties or responsibilities require access and to whom disclosure may be made under the provisions of this section,

"(4) provide such other safeguards which the Secretary determines (and which the Secretary prescribes in regulations) to be necessary or appropriate to protect the confidentiality of the address information and related blood donor records,

"(5) furnish a report to the Secretary, at such time and containing such information as the Secretary may prescribe, which describes the procedures established and utilized by the authorized person for ensuring the confidentiality of address information and related blood donor records required under this subsection, and

"(6) destroy such address information and related blood donor records, upon completion of their use in providing the notification for which the information was obtained, so as to make such information and records undisclosable.

If the Secretary determines that any authorized person has failed to, or does not, meet the requirements of this subsection, the Secretary may, after any proceedings for review established under subsection (f), take such actions as are necessary to ensure such requirements are met, including refusing to disclose address information to such authorized person until the Secretary determines that such requirements have been or will be met. In the case of any authorized person who discloses any address information received pursuant to this section or any related blood donor records to any agent, this subsection shall apply to such authorized person and each such agent (except that, in the case of an agent, any report to the Secretary or other action with respect to the Secretary shall be made or taken through such authorized person). The Secretary shall destroy all related blood donor records in the possession of the Department of Health and Human Services upon completion of their use in transmitting mailing addresses as required under subsection (a), so as to make such records undisclosable.

"(e) ARRANGEMENTS WITH STATE AGENCIES AND AUTHORIZED PERSONS.—The Secretary, in carrying out the Secretary's duties and functions under this section, shall enter into arrangements—

"(1) with State agencies to accept and to transmit to the Secretary requests for address information under this section and to accept and to transmit such information to authorized persons, and

"(2) with State agencies and authorized persons otherwise to cooperate with the Secretary in carrying out the purposes of this section.

"(f) PROCEDURES FOR ADMINISTRATIVE REVIEW.—The Secretary shall by regulation prescribe procedures which provide for administrative review of any determination that any authorized person has failed to meet the requirements of this section.

"(g) UNAUTHORIZED DISCLOSURE OF INFORMATION.—Paragraphs (1), (2), and (3) of section 7213(a) of the Internal Revenue Code of 1986 shall apply with respect to the unauthorized willful disclosure to any person of address information or related blood donor records acquired or maintained by or under the Secretary, or pursuant to this section by any authorized person, or of information derived from any such address information or related blood donor records, in the same manner and to the same extent as such paragraphs apply with respect to unauthorized disclosures of return and return information described in such paragraphs. Paragraph (4) of section 7213(a) of such Code shall apply with respect to the willful offer of any item of material value in exchange for any such address information or related blood donor record in the same manner and to the same extent as such paragraph applies with respect to offers (in exchange for any return or return information) described in such paragraph.

"(h) DEFINITIONS.—For purposes of this section—

"(1) AUTHORIZED PERSON.—The term 'authorized person' means—

"(A) any agency of a State (or of a political subdivision of a State) which has duties or authority under State law relating to the public health or otherwise has the duty or authority under State law to regulate blood donations, and

"(B) any entity engaged in the acceptance of blood donations which is licensed or registered by the Food and Drug Administration in connection with the acceptance of such blood donations, and which, in accordance with such regulations as may be prescribed by the Secretary, provides for—

"(i) the confidentiality of any address information received pursuant to this section and related blood donor records,

"(ii) blood donor notification procedures for individuals with respect to whom such information is requested and a finding has been made that they have or may have the virus for acquired immune deficiency syndrome, and

"(iii) counseling services for such individuals who have been found to have such virus.

"(2) **RELATED BLOOD DONOR RECORD.**—The term 'related blood donor record' means any record, list, or compilation which indicates, directly or indirectly, the identity of any individual with respect to whom a request for address information has been made pursuant to this section.

"(3) **STATE.**—The term 'State' includes the District of Columbia, the Commonwealth of Puerto Rico, the Virgin Islands, Guam, the Commonwealth of the Northern Marianas, and the Trust Territory of the Pacific Islands."

(2) **TIME LIMIT FOR ESTABLISHMENT OF BLOOD DONOR LOCATOR SERVICE.**—The Secretary of Health and Human Services shall establish the Blood Donor Locator Service pursuant to section 1141 of the Social Security Act not later than 180 days after the date of the enactment of this Act.

(c) **DISCLOSURE OF TAXPAYER ADDRESSES TO BLOOD DONOR LOCATOR SERVICE.**—

(1) **IN GENERAL.**—Subsection (m) of section 6103 of the Internal Revenue Code of 1986 (relating to disclosure of taxpayer identity information) is amended by adding at the end the following new paragraph:

"(6) **BLOOD DONOR LOCATOR SERVICE.**—

"(A) **IN GENERAL.**—Upon written request pursuant to section 1141 of the Social Security Act, the Secretary shall disclose the mailing address of taxpayers to officers and employees of the Blood Donor Locator Service in the Department of Health and Human Services.

"(B) **RESTRICTION ON DISCLOSURE.**—The Secretary shall disclose return information under subparagraph (A) only for purposes of, and to the extent necessary in, assisting under the Blood Donor Locator Service authorized persons (as defined in section 1141(h)(1) of the Social Security Act) in locating blood donors who, as indicated by donated blood or products derived therefrom or by the history of the subsequent use of such blood or blood products, have or may have the virus for acquired immune deficiency syndrome, in order to inform such donors of the possible need for medical care and treatment.

"(C) **SAFEGUARDS.**—The Secretary shall destroy all related blood donor records (as defined in section 1141(h)(2) of

the Social Security Act) in the possession of the Department of the Treasury upon completion of their use in making the disclosure required under subparagraph (A), so as to make such records undisclosable.”

(2) SAFEGUARDS.—

(A) IN GENERAL.—Paragraph (4) of section 6103(p) of such Code (relating to safeguards) is amended—

(i) in subparagraph (F)—

(I) by striking “manner; and” at the end of clause (i) and inserting “manner,”;

(II) by adding “and” at the end of clause (ii)(III); and

(III) by inserting after clause (ii)(III) the following new clause:

“(iii) in the case of the Department of Health and Human Services for purposes of subsection (m)(6), destroy all such return information upon completion of its use in providing the notification for which the information was obtained, so as to make such information undisclosable;”;

(ii) in the last sentence, by striking “subsection (m)(2) or (4)” and inserting “subsection (m)(2), (4), or (6)”; and

(iii) by adding at the end the following new sentence: “For purposes of applying this paragraph in any case to which subsection (m)(6) applies, the term ‘return information’ includes related blood donor records (as defined in section 1141(h)(2) of the Social Security Act).”

(B) CONFORMING AMENDMENT.—Paragraph (2) of section 7213(a) of such Code (relating to unauthorized disclosure of returns and return information) is amended by striking “(m)(2) or (4)” and inserting “(m)(2), (4), or (6)”.

SEC. 8009. REQUIREMENT OF SOCIAL SECURITY ACCOUNT NUMBER AS A CONDITION FOR RECEIPT OF SOCIAL SECURITY BENEFITS.

(a) IN GENERAL.—Section 205(c)(2) of the Social Security Act (42 U.S.C. 405(c)(2)) is amended—

(1) in subparagraph (B)(i) in the matter preceding subclause (I), by inserting “and subparagraph (E)” after “subparagraph (A)”;

(2) by redesignating subparagraph (E) (as redesignated by section 8008(a)(1)) as subparagraph (F); and

(3) by inserting after subparagraph (D) (as added by section 8008(a)(2)) the following new subparagraph:

“(E) The Secretary shall require, as a condition for receipt of benefits under this title, that an individual furnish satisfactory proof of a social security account number assigned to such individual by the Secretary or, in the case of an individual to whom no such number has been assigned, that such individual make proper application for assignment of such a number.”

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to benefits entitlement to which commences after the sixth month following the month in which this Act is enacted.

SEC. 8010. SUBSTITUTION OF CERTIFICATE OF ELECTION FOR APPLICATION TO ESTABLISH ENTITLEMENT FOR CERTAIN REDUCED WIDOWS AND WIDOWER'S BENEFITS.

(a) **WIDOW'S INSURANCE BENEFITS.**—Section 202(e) of the Social Security Act (42 U.S.C. 402(e)) is amended—

(1) by redesignating paragraph (1)(C)(ii) as paragraph (1)(C)(iii);

(2) by striking paragraph (1)(C)(i) and inserting the following:

“(C)(i) has filed application for widow's insurance benefits,

“(ii) was entitled to wife's insurance benefits, on the basis of the wages and self-employment income of such individual, for the month preceding the month in which such individual died, and—

“(I) has attained retirement age (as defined in section 216(l)),

“(II) is not entitled to benefits under subsection (a) or section 223, or

“(III) has in effect a certificate (described in paragraph (8)) filed by her with the Secretary, in accordance with regulations prescribed by the Secretary, in which she elects to receive widow's insurance benefits (subject to reduction as provided in subsection (q)), or”; and

(3) by adding at the end the following new paragraph:

“(8) Any certificate filed pursuant to paragraph (1)(C)(ii)(III) shall be effective for purposes of this subsection—

“(A) for the month in which it is filed and for any month thereafter, and

“(B) for months, in the period designated by the individual filing such certificate, of one or more consecutive months (not exceeding 12) immediately preceding the month in which such certificate is filed;

except that such certificate shall not be effective for any month before the month in which she attains age 62.”.

(b) **WIDOWER'S INSURANCE BENEFITS.**—Section 202(f) of such Act (42 U.S.C. 402(f)) is amended—

(1) by redesignating paragraph (1)(C)(ii) as paragraph (1)(C)(iii);

(2) by striking paragraph (1)(C)(i) and inserting the following:

“(C)(i) has filed application for widower's insurance benefits,

“(ii) was entitled to husband's insurance benefits, on the basis of the wages and self-employment income of such individual, for the month preceding the month in which such individual died, and—

“(I) has attained retirement age (as defined in section 216(l)),

“(II) is not entitled to benefits under subsection (a) or section 223, or

“(III) has in effect a certificate (described in paragraph (8)) filed by him with the Secretary, in accordance with regulations prescribed by the Secretary, in which he elects to receive widower's insurance benefits (subject to reduction as provided in subsection (q)), or”; and

(3) by adding at the end the following new paragraph:

"(8) Any certificate filed pursuant to paragraph (1)(C)(ii)(III) shall be effective for purposes of this subsection—

"(A) for the month in which it is filed and for any month thereafter, and

"(B) for months, in the period designated by the individual filing such certificate, of one or more consecutive months (not exceeding 12) immediately preceding the month in which such certificate is filed;

except that such certificate shall not be effective for any month before the month in which he attains age 62."

(c) **EFFECTIVE DATE.**—The amendments made by this section shall apply to benefits payable under section 202(e) or section 202(f) of the Social Security Act on the basis of the wages and self-employment income of an individual who dies after the month in which this Act is enacted.

SEC. 8011. CALCULATION OF THE WINDFALL BENEFIT GUARANTEE AMOUNT BASED ON PENSION AMOUNTS PAYABLE IN THE FIRST MONTH OF CONCURRENT ENTITLEMENT RATHER THAN CONCURRENT ELIGIBILITY.

(a) **IN GENERAL.**—Section 215(a)(7) of the Social Security Act (42 U.S.C. 415(a)(7)) is amended—

(1) in subparagraph (A), by striking "with respect to the initial month in which the individual becomes eligible for such benefits";

(2) in the second sentence of subparagraph (B)(i), by striking "eligibility for old-age or disability insurance benefits" and inserting "concurrent entitlement to such monthly periodic payment and old-age or disability insurance benefits"; and

(3) in subparagraph (C), by striking clause (iii) and redesignating clause (iv) as clause (iii).

(b) **CONFORMING AMENDMENT.**—Section 215(d)(5)(ii) of such Act (42 U.S.C. 415(d)(5)(ii)) is amended by striking "his or her eligibility for old-age or disability insurance benefits" and inserting "such concurrent entitlement".

(c) **EFFECTIVE DATE.**—The amendments made by this section shall apply to benefits based on applications filed after the month in which this Act is enacted.

SEC. 8012. CONSOLIDATION OF REPORTS ON CONTINUING DISABILITY REVIEWS.

(a) **IN GENERAL.**—Section 221(i)(3) of the Social Security Act (42 U.S.C. 421(i)(3)) is amended by striking "semiannually" and inserting "annually".

(b) **EFFECTIVE DATE.**—The amendment made by this section shall apply to reports required to be submitted after the date of the enactment of this Act.

SEC. 8013. EXCLUSION OF EMPLOYEES SEPARATED FROM EMPLOYMENT BEFORE JANUARY 1, 1989, FROM RULE INCLUDING AS WAGES TAXABLE UNDER FICA CERTAIN PAYMENTS FOR GROUP-TERM LIFE INSURANCE.

(a) **IN GENERAL.**—Subsection (b) of section 9003 of the Omnibus Budget Reconciliation Act of 1987 (101 Stat. 1330-287) is amended by striking "December 31, 1987." and inserting "December 31, 1987, except that such amendments shall not apply with respect to payments by the employer (or a successor of such employer) for group-

term life insurance for such employer's former employees who separated from employment with the employer on or before December 31, 1988, to the extent that such payments are not for coverage for any such employee for any period for which such employee is employed by such employer (or a successor of such employer) after the date of such separation."

(b) **EFFECTIVE DATE.**—The amendment made by subsection (a) shall apply as if such amendment had been included or reflected in section 9003(b) of the Omnibus Budget Reconciliation Act of 1987 at the time of its enactment.

SEC. 8014. CLARIFICATION OF APPLICABILITY OF GOVERNMENT PENSION OFFSET TO CERTAIN FEDERAL EMPLOYEES.

(a) **CLARIFICATION OF TREATMENT OF FOREIGN SERVICE RETIREES.**—Subsections (b)(4)(A)(ii)(II), (c)(2)(A)(ii)(II), (e)(7)(A)(ii)(II), (f)(2)(A)(ii)(II), and (g)(4)(A)(ii)(II) of section 202 of the Social Security Act (42 U.S.C. 402 (b)(4)(A)(ii)(II), (c)(2)(A)(ii)(II), (e)(7)(A)(ii)(II), (f)(2)(A)(ii)(II), (g)(4)(A)(ii)(II)) are each amended by striking "chapter 84 of title 5, United States Code," and inserting "the Federal Employees' Retirement System provided in chapter 84 of title 5, United States Code, or the Foreign Service Pension System provided in subchapter II of chapter 8 of title I of the Foreign Service Act of 1980".

(b) **TREATMENT OF EMPLOYEES WHOSE FEDERAL EMPLOYMENT TERMINATED AFTER MAKING AN ELECTION INTO SOCIAL SECURITY COVERAGE BUT BEFORE THE EFFECTIVE DATE OF THE ELECTION.**—Subsections (b)(4)(A)(i), (c)(2)(A)(i), (e)(7)(A)(i), (f)(2)(A)(i), and (g)(4)(A)(i) of section 202 of the Social Security Act (42 U.S.C. 402 (b)(4)(A)(i), (c)(2)(A)(i), (e)(7)(A)(i), (f)(2)(A)(i), (g)(4)(A)(i)) shall not apply with respect to monthly periodic benefits of any individual based solely on service which was performed while in the service of the Federal Government if—

(1) such person made, before January 1, 1988, an election pursuant to law to become subject to the Federal Employees' Retirement System provided in chapter 84 of title 5, United States Code, or the Foreign Service Pension System provided in subchapter II of chapter 8 of title I of the Foreign Service Act of 1980 (or such person made such an election on or after January 1, 1988, and before July 1, 1988, pursuant to regulations of the Office of Personnel Management relating to belated elections and correction of administrative errors (5 CFR 846.204) as in effect on the date of the enactment of this Act), and

(2) such service terminated before the date on which such election became effective.

(c) **EFFECTIVE DATE.**—The preceding provisions of this section (including the amendments made by subsection (a)) shall apply as if they had been included or reflected in the provisions of section 9007 of the Omnibus Budget Reconciliation Act of 1987 (101 Stat. 1330-289) at the time of its enactment.

SEC. 8015. AMENDMENTS TO RULES GOVERNING SOCIAL SECURITY COVERAGE OF FEDERAL EMPLOYMENT.

(a) **CLARIFICATION OF AUTHORITY TO MAKE DETERMINATIONS CONCERNING THE SOCIAL SECURITY COVERAGE OF FEDERAL EMPLOYEES.**—

(1) **AMENDMENTS TO THE SOCIAL SECURITY ACT.**—Section 205(p)(1) of the Social Security Act (42 U.S.C. 405(p)(1)) is amended—

(A) by striking “whether an individual has performed such service, the periods of such service,” in the first sentence;

(B) by striking “which constitute wages under the provisions of section 209” in the first sentence;

(C) by striking “wages were” in the first sentence and inserting “remuneration was”; and

(D) by adding at the end the following new sentence: “Nothing in this paragraph shall be construed to affect the Secretary’s authority to determine under sections 209 and 210 whether any such service constitutes employment, the periods of such employment, and whether remuneration paid for any such service constitutes wages.”.

(2) **AMENDMENTS TO FICA.**—Section 3122 of the Internal Revenue Code of 1986 (relating to Federal service) is amended—

(A) by striking “the determination whether an individual has performed service which constitutes employment as defined in section 3121(b),” in the first sentence;

(B) by striking “which constitutes wages as defined in section 3121(a)” in the first sentence; and

(C) by inserting after the first sentence the following new sentence: “Nothing in this paragraph shall be construed to affect the Secretary’s authority to determine under subsections (a) and (b) of section 3121 whether any such service constitutes employment, the periods of such employment, and whether remuneration paid for any such service constitutes wages.”.

(3) **EFFECTIVE DATE.**—The amendments made by paragraphs (1) and (2) shall apply to determinations relating to service commenced in any position on or after the date of the enactment of this Act.

(b) **CLARIFICATION OF TREATMENT OF SERVICE COVERED UNDER THE FOREIGN SERVICE PENSION SYSTEM.**—

(1) **AMENDMENT TO THE SOCIAL SECURITY ACT.**—Subparagraph (H) of section 210(a)(5) of the Social Security Act (42 U.S.C. 410(a)(5)(H)) is amended to read as follows:

“(H) service performed by an individual—

“(i) on or after the effective date of an election by such individual, under section 301 of the Federal Employees’ Retirement System Act of 1986 or section 307 of the Central Intelligence Agency Retirement Act of 1964 for Certain Employees, to become subject to the Federal Employees’ Retirement System provided in chapter 84 of title 5, United States Code, or

“(ii) on or after the effective date of an election by such individual, under regulations issued under section 860 of the Foreign Service Act of 1980, to become subject to the Foreign Service Pension System provided in subchapter II of chapter 8 of title I of such Act;”.

(2) **AMENDMENT TO FICA.**—Subparagraph (H) of section 3121(b)(5) of the Internal Revenue Code of 1986 (relating to employment) is amended to read as follows:

“(H) service performed by an individual—

“(i) on or after the effective date of an election by such individual, under section 301 of the Federal Employees’ Retirement System Act of 1986 or section 307 of the Central Intelligence Agency Retirement Act of 1964 for Certain Employees, to become subject to the Federal Employees’ Retirement System provided in chapter 84 of title 5, United States Code, or

“(ii) on or after the effective date of an election by such individual, under regulations issued under section 860 of the Foreign Service Act of 1980, to become subject to the Foreign Service Pension System provided in subchapter II of chapter 8 of title I of such Act;”.

(3) **EFFECTIVE DATE.**—The amendments made by this subsection shall apply as if such amendments had been included or reflected in section 304 of the Federal Employees’ Retirement System Act of 1986 (100 Stat. 606) at the time of its enactment.

(c) **CONTINUATION OF SOCIAL SECURITY COVERAGE OF FEDERAL SERVICE AFTER ANY INITIAL COVERAGE OF SUCH SERVICE.**—

(1) **AMENDMENT TO THE SOCIAL SECURITY ACT.**—Paragraph (5) of section 210(a) of the Social Security Act (42 U.S.C. 410(a)(5)) is amended, in the matter following subparagraph (B)(ii), by inserting after “with respect to” the following: “any such service performed on or after any date on which such individual performs”.

(2) **AMENDMENT TO FICA.**—Paragraph (5) of section 3121(b) of the Internal Revenue Code of 1986 (relating to employment) is amended, in the matter following subparagraph (B)(ii), by inserting after “with respect to” the following: “any such service performed on or after any date on which such individual performs”.

(3) **EFFECTIVE DATE.**—The amendments made by this subsection shall apply to any individual only upon the performance by such individual of service described in subparagraph (C), (D), (E), (F), (G), or (H) of section 210(a)(5) of the Social Security Act (42 U.S.C. 410(a)(5)) on or after the date of the enactment of this Act.

SEC. 8016. TECHNICAL CORRECTIONS IN OASDI PROVISIONS.

(a) **TECHNICAL CORRECTIONS.**—(1) Section 205(c)(2)(C)(iii) of the Social Security Act is amended by striking “the Social Security Act” and inserting “this Act”.

(2) Section 211(a)(7) of such Act (as amended by section 9023(b)(1) of Public Law 100-203) is amended by inserting “of the Internal Revenue Code of 1986” before the semicolon at the end.

(3)(A) Subsection (d) of section 3121 of the Internal Revenue Code of 1986 (as amended by section 9002(b)(2) of Public Law 99-509) is amended—

(i) by redesignating paragraph (3) as paragraph (4), by striking “; or” at the end of such paragraph and inserting a period,

and by moving such paragraph (as so redesignated and amended) to the end of the subsection; and

(ii) by redesignating paragraph (4) as paragraph (3), and by striking the period at the end and inserting “; or”.

(B) Section 3306(i) of such Code (as amended by section 9002(b)(2) of Public Law 99-509) is amended by striking “paragraph (3) and subparagraphs (B) and (C) of paragraph (4)” and inserting “paragraph (4) and subparagraphs (B) and (C) of paragraph (3)”.

(4) Section 13303(c)(2) of Public Law 99-272 is amended—

(A) by striking “312(b)” and inserting “3121(b)”;

(B) by striking “is amended” and inserting “, and paragraph (20) of section 210(a) of the Social Security Act, are each amended”; and

(C) by striking “after ‘service’ ” and inserting “before ‘performed’ ”.

(5) Section 9006(b)(1) of Public Law 100-203 is amended by striking “3111(a)” and inserting “3111”.

(b) **EFFECTIVE DATE.**—(1) Except as provided in paragraph (2), the amendments made by this section shall be effective on the date of the enactment of this Act.

(2) Any amendment made by this section to a provision of a particular Public Law which is referred to by its number, or to a provision of the Social Security Act or the Internal Revenue Code of 1986 as added or amended by a provision of a particular Public Law which is so referred to, shall be effective as though it had been included or reflected in the relevant provisions of that Public Law at the time of its enactment.

SEC. 8017. CERTAIN CASH WAGES PAID TO SEASONAL AGRICULTURAL LABORERS EXCLUDED FROM OASDI COVERAGE.

(a) **SOCIAL SECURITY ACT AMENDMENT.**—Paragraph (2) of section 209(h) of the Social Security Act is amended to read as follows:

“(2) Cash remuneration paid by an employer in any calendar year to an employee for agricultural labor unless—

“(A) the cash remuneration paid in such year by the employer to the employee for such labor is \$150 or more, or

“(B) the employer’s expenditures for agricultural labor in such year equal or exceed \$2,500,

except that subparagraph (B) shall not apply in determining whether remuneration paid to an employee constitutes ‘wages’ under this section if such employee (i) is employed as a hand harvest laborer and is paid on a piece rate basis in an operation which has been, and is customarily and generally recognized as having been, paid on a piece rate basis in the region of employment, (ii) commutes daily from his permanent residence to the farm on which he is so employed, and (iii) has been employed in agriculture less than 13 weeks during the preceding calendar year.”

(b) **FICA AMENDMENT.**—Subparagraph (B) of section 3121(a)(8) of the 1986 Code (relating to wages) is amended to read as follows:

“(B) cash remuneration paid by an employer in any calendar year to an employee for agricultural labor unless—

“(i) the cash remuneration paid in such year by the employer to the employee for such labor is \$150 or more, or

"(ii) the employer's expenditures for agricultural labor in such year equal or exceed \$2,500, except that clause (ii) shall not apply in determining whether remuneration paid to an employee constitutes 'wages' under this section if such employee (I) is employed as a hand harvest laborer and is paid on a piece rate basis in an operation which has been, and is customarily and generally recognized as having been, paid on a piece rate basis in the region of employment, (II) commutes daily from his permanent residence to the farm on which he is so employed, and (III) has been employed in agriculture less than 13 weeks during the preceding calendar year;"

(c) EFFECTIVE DATE.—The amendments made by this section shall take effect as if included in the amendments made by section 9002 of the Omnibus Budget Reconciliation Act of 1987.

SEC. 8018. CERTAIN EMPLOYER PENSION CONTRIBUTIONS NOT INCLUDED IN FICA WAGE BASE.

In the case of any State (within the meaning of section 3121(e)(1) of the Internal Revenue Code of 1986) or political subdivision thereof which received a letter ruling of the Internal Revenue Service issued after December 31, 1983, and before the date of the enactment of this Act maintaining that any amount treated as an employer contribution under section 414(h)(2) of the Internal Revenue Code of 1986 is excluded from the definition of "wages" for purposes of tax liability under section 3121(v)(1)(B) of such Code, such State or political subdivision shall be relieved of any liability for taxes under such section 3121(v)(1)(B) which, in good faith reliance on such letter ruling, were not paid and which would otherwise have been required to be paid (but for this section) on or before the earlier of the date of the enactment of this Act or the date of the receipt of a notice of revocation from the Internal Revenue Service of such letter ruling.

SEC. 8019. REPORTS REGARDING CERTAIN DISABILITY-RELATED BENEFITS.

(a) ELIGIBILITY FOR BENEFITS.—Not later than 180 days after the date of the enactment of this Act, the Secretary of Health and Human Services shall submit to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate a report providing information on—

(1) the number of individuals with the complex related to acquired immune deficiency syndrome (hereinafter in this section referred to as "AIDS-related complex") who have made application for disability-related benefits under titles II and XVI of the Social Security Act during fiscal years 1988, 1987, and, to the extent feasible, 1986;

(2) the number of such applications approved, denied (by reason of denial), and reversed upon appeal;

(3) the rates of allowance and denial of such applications by State and region, to the extent feasible;

(4) the criteria, guidelines, or other information used to determine eligibility (including copies of the documents setting forth such criteria, guidelines, and information) including information about any changes in criteria that are under consideration;

(5) the total costs of disability-related benefits provided to individuals with AIDS-related complex during fiscal years 1988, 1987, and to the extent feasible, 1986; and

(6) to the extent available, the projected number of such applications that will likely be approved and denied and the estimated costs of such benefits for the next 3 fiscal years.

(b) **COORDINATION OF FEDERAL AND STATE DISABILITY PROGRAMS.**—Not later than 180 days after the date of the enactment of this Act, the Secretary of Health and Human Services shall submit to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate a report describing what arrangements, if any, now exist to provide for coordination between the Social Security Administration and State disability agencies with respect to the provision of disability-related benefits under titles II and XVI of the Social Security Act and State disability insurance programs to individuals with acquired immune deficiency syndrome or AIDS-related complex and to make such individuals applying for any such benefits aware of the full range of Federal and State disability-related benefits for which such individuals may be eligible.

Subtitle B—Public Assistance Provisions

SEC. 8101. EXTENSION OF PROHIBITION AGAINST IMPLEMENTATION OF CERTAIN PROPOSED REGULATIONS.

Section 9118 of the Omnibus Budget Reconciliation Act of 1987 (42 U.S.C. 1383c) is amended by striking "October 1, 1988" and inserting "September 30, 1989".

SEC. 8102. REVIEW OF POLICY GOVERNING USE OF AFDC FUNDS TO MEET EMERGENCY NEEDS OF FAMILIES ELIGIBLE FOR AFDC THROUGH EMERGENCY ASSISTANCE OR SPECIAL NEEDS PAYMENTS; REPORT TO CONGRESS.

(a) **REVIEW OF POLICY.**—The Secretary of Health and Human Services shall review the policies in effect, as of the date of the enactment of this section, with respect to the use by States of amounts paid to such States under the program of aid to families with dependent children under part A of title IV of the Social Security Act, in the form of payments of aid to meet special needs or emergency assistance under section 406(e) of such Act to meet emergency needs of families who are eligible for such aid.

(b) **REPORT TO CONGRESS.**—Not later than July 1, 1989, the Secretary of Health and Human Services shall submit to the Congress a report containing recommendations for legislative and regulatory changes designed to—

(1) improve the ability of the program of aid to families with dependent children under part A of title IV of the Social Security Act to respond to emergency needs of families who are eligible for such aid; and

(2) eliminate the use of funds provided to States under such program to pay for the provision of shelter in commercial or similar transient facilities.

SEC. 8103. DISREGARD OF CERTAIN HOUSING ASSISTANCE PAYMENTS IN DETERMINING INCOME AND RESOURCES UNDER SSI PROGRAM.

(a) **INCOME.**—Section 1612(b) of the Social Security Act is amended—

(1) by striking “and” after the semicolon at the end of paragraph (12);

(2) by striking the period at the end of paragraph (13) and inserting “; and”;

(3) by adding after paragraph (13) the following new paragraph:

“(14) assistance paid, with respect to the dwelling unit occupied by such individual (or such individual and spouse), under the United States Housing Act of 1937, the National Housing Act, section 101 of the Housing and Urban Development Act of 1965, title V of the Housing Act of 1949, or section 202(h) of the Housing Act of 1959.”

(b) **RESOURCES.**—Section 1613(a) of such Act is amended—

(1) by striking “and” after the semicolon at the end of paragraph (6);

(2) by striking the period at the end of paragraph (7) and inserting “; and”;

(3) by inserting after paragraph (7) the following new paragraph:

“(8) the value of assistance referred to in section 1612(b)(14), paid with respect to the dwelling unit occupied by such individual (or such individual and spouse).”

(c) **EFFECTIVE DATE.**—The amendments made by this section shall be effective as though they had been included in section 162 of the Housing and Community Development Act of 1987 at the time of its enactment.

SEC. 8104. FOSTER CARE INDEPENDENT LIVING INITIATIVES.

(a) **EXTENSION OF INDEPENDENT LIVING PROGRAM.**—Section 477 of the Social Security Act (42 U.S.C. 677) is amended—

(1) by striking “1987 and 1988” in subsections (a) and (e)(1) and inserting “1987, 1988, and 1989”;

(2) by striking “for fiscal year 1988” and all that follows in subsection (c) and inserting “for the fiscal year 1988 or 1989, such description and assurances must be submitted prior to February 1 of such fiscal year.”;

(3) by striking “Not later than March 1, 1988” in subsection (g)(1) and inserting “Not later than the first January 1 following the end of each fiscal year”;

(4) by inserting “during such fiscal year” in subsection (g)(1) after “carried out”;

(5) by striking “(2) Not later than July 1, 1988,” in subsection (g)(2) and inserting the following:

“(2)(A) Not later than July 1, 1988, the Secretary shall submit an interim report on the activities carried out under this section.

“(B) Not later than March 1, 1989,” and

(6) by striking “fiscal year 1987” in subsection (g)(2) and inserting “fiscal years 1987 and 1988”.

(b) **PERMISSION TO EXPEND UNOBLIGATED FUNDS APPROPRIATED FOR 1987 IN 1989.**—Subsection (f) of section 477 of such Act (42

U.S.C. 677(f) is amended by inserting after and below paragraph (3) the following:

"Notwithstanding paragraph (3), payments made to a State under this section for the fiscal year 1987 and unobligated may be expended by such State in the fiscal year 1989."

(c) **INCLUSION IN INDEPENDENT LIVING PROGRAM OF NON-AFDC FOSTER CARE CHILDREN.**—Subsection (a) of section 477 of such Act (42 U.S.C. 677(a)) is amended—

(1) by inserting "(1)" before "Payments";

(2) by striking "children" and all that follows through "age 16," and inserting "children described in paragraph (2) who have attained age 16"; and

(3) by adding at the end the following new paragraph:

"(2) A program established and carried out under paragraph (1)—

"(A) shall be designed to assist children with respect to whom foster care maintenance payments are being made by the State under this part, and

"(B) may at the option of the State also include any or all other children in foster care under the responsibility of the State."

(d) **INCLUSION IN INDEPENDENT LIVING PROGRAM OF CERTAIN FORMER FOSTER CARE CHILDREN.**—Paragraph (2) of section 477(a) of the Social Security Act (42 U.S.C. 677(a)(2)) (as added by subsection (c) of this section) is further amended—

(1) by striking "and" in subparagraph (A);

(2) by striking the period at the end of subparagraph (B) and inserting ", and"; and

(3) by adding at the end the following new subparagraph:

"(C) may at the option of the State also include any child to whom foster care maintenance payments were previously made by a State under this part and whose payments were discontinued on or after the date such child attained age 16, and any child who previously was in foster care described in subparagraph (B) and for whom such care was discontinued on or after the date such child attained age 16, but such child may not be so included after the end of the 6-month period beginning on the date of discontinuance of such payments or care; and a written transitional independent living plan of the type described in subsection (d)(6) shall be developed for such child as a part of such program."

(e) **DETERMINATION OF SERVICES NEEDED FOR TRANSITION TO INDEPENDENT LIVING.**—Subparagraph (C) of section 475(5) of such Act (42 U.S.C. 675(5)(C)) is amended by inserting "and, in the case of a child who has attained age 16, the services needed to assist the child to make the transition from foster care to independent living" before the semicolon.

(f) **LIMITATION ON USE OF FUNDS.**—Paragraph (3) of section 477(e) of such Act (42 U.S.C. 677(e)(3)) is amended by adding at the end the following: "Amounts payable under this section may not be used for the provision of room or board."

(g) **EFFECTIVE DATES.**—(1) The amendments made by subsections (a), (b), and (e) shall take effect on October 1, 1988.

(2) The amendments made by subsections (c), (d), and (f) shall take effect on the date of the enactment of this Act.

SEC. 8105. TECHNICAL CORRECTIONS TO FAMILY SUPPORT ACT OF 1988.

Effective on the date of the enactment of the Family Support Act of 1988—

(1) section 401(c)(1) of such Act is amended by inserting “(as amended by paragraph (4)(B) of this subsection)” before “is amended—”;

(2) section 401(c)(4)(B) of such Act is amended by striking “(as amended by paragraph (1) of this subsection)”;

(3) section 202(b) of such Act is amended by striking paragraph (10);

(4) section 111(e)(1) of such Act is amended by striking “before” and inserting in lieu thereof “after”;

(5) section 407(b)(1)(B)(iii)(I) of the Social Security Act (as amended by section 202(b)(8)(A) of the Family Support Act of 1988 and redesignated by section 401(b)(1) of that Act) is amended by striking “409(a)(19)(A)” and inserting in lieu thereof “402(a)(19)(A)”;

(6) section 469 of the Social Security Act (as added by section 129 of the Family Support Act of 1988) is amended—

(A) by striking “of title IV of the Social Security Act”; and

(B) by striking “of title IV of such Act”; and

(7) section 418 of the Social Security Act (as added by section 603(a) of the Family Support Act of 1988) is redesignated as section 417.

Subtitle C—National Commission on Children

SEC. 8201. DELAY IN REPORTING DATE FOR NATIONAL COMMISSION ON CHILDREN.

Section 1139 of the Social Security Act (42 U.S.C. 1320b-9) is amended—

(1) by striking “September 30, 1988” in subsection (d) and inserting “March 31, 1990

(2) by striking “March 31, 1989” in subsection (d) and inserting “September 30, 1990”;

(3) by striking “March 31, 1989” in subsection (e)(1)(A) and inserting “September 30, 1990”;

(4) by striking “March 31, 1989” in subsection (e)(4)(B) and inserting “September 30, 1990”; and

(5) by inserting “for each of fiscal years 1989 and 1990” after “section” in subsection (j).

Subtitle D—Unemployment Compensation

SEC. 8301. SELF-EMPLOYMENT DEMONSTRATION PROJECT.

Section 9152(g) of the Omnibus Budget Reconciliation Act of 1987 (Public Law 100-203) is amended—

(1) in paragraph (1), by striking “two” in the first sentence and inserting “three”; and

(2) in paragraph (2), by striking "four" and inserting "six".

Subtitle E—Medicare and Medicaid

PART I—PROVISIONS RELATING TO PART A OF MEDICARE

SEC. 8401. EXTENSION OF DISPROPORTIONATE SHARE PROVISIONS.

Paragraphs (2)(C)(iv), (3)(C)(ii)(I), (3)(C)(ii)(II), (5)(B)(ii)(I), (5)(B)(ii)(II), and (5)(F)(i) of section 1886(d) of the Social Security Act (42 U.S.C. 1395ww(d)) are each amended by striking "1990" and inserting "1995".

SEC. 8402. MAINTENANCE OF BAD DEBT COLLECTION POLICY.

Effective as of the date of the enactment of the Omnibus Budget Reconciliation Act of 1987, section 4008(c) of such Act is amended by inserting after "reasonable collection effort" the following: ", including criteria for indigency determination procedures, for record keeping, and for determining whether to refer a claim to an external collection agency".

SEC. 8403. APPLICATION OF WAGE INDICES IN CASE OF AREAS AFFECTED BY SECTION 4005(A)(1) OF OBRA OF 1987.

(a) **COMPUTATION OF INDICES FOR FISCAL YEARS 1990 AND 1991.**—Section 1886(d)(8) of the Social Security Act (42 U.S.C. 1395ww(d)(8)) is amended—

(1) in subparagraph (C)—

(A) by striking "subparagraph (B)" each place it appears and inserting "subparagraphs (B) and (C)", and

(B) by redesignating such subparagraph as subparagraph (D); and

(2) by inserting after subparagraph (B) the following new subparagraph:

"(C)(i) If the application of subparagraph (B), by treating hospitals located in a rural county or counties as being located in an urban area, reduces the wage index for that urban area (as applied under this subsection), the Secretary shall calculate and apply such wage index under this subsection separately to hospitals located in such urban area (excluding all the hospitals so treated) and to the hospitals so treated (as if each affected rural county were a separate urban area). If the application of subparagraph (B), by treating the hospitals located in a rural county or counties as not being located in the rural area in a State, reduces the wage index for that rural area (as applied under this subsection), the Secretary shall calculate and apply such wage index under this subsection as if the hospitals so treated had not been excluded from calculation of the wage index for that rural area.

"(ii) Clause (i) shall only apply to discharges occurring on or after October 1, 1989, and before October 1, 1991."

(b) **HHS REPORT ON ADJUSTMENT OF HOSPITAL WAGE INDICES FOR FISCAL YEAR 1989.**—

(1) The Secretary of Health and Human Services shall report to the Congress, not later than 60 days after the date of the enactment of this Act, on alternative methods for reimbursement under section 1886(d) of the Social Security Act to hospitals located in affected areas described in paragraph (2) for hospital

discharges occurring in fiscal year 1989 that would result in aggregate payments under title XVIII of such Act to hospitals in such areas in an amount no less than would have been paid without the enactment of the amendments made by section 4005(a)(1) of the Omnibus Budget Reconciliation Act of 1987. In reporting concerning alternative methods, the Secretary shall consider both legislative and administrative actions that would result in an aggregate increase in payments under such title and legislative and administrative actions that would not result in such an aggregate increase.

(2) An affected area described in this paragraph is an area for which the area wage index for fiscal year 1989 (described in section 1886(d)(3)(E) of the Social Security Act) was reduced below the amount otherwise applicable as a result of the amendments made by section 4005(a)(1) of the Omnibus Budget Reconciliation Act of 1987.

(c) **PROPAC STUDY AND REPORT.**—The Prospective Payment Assessment Commission shall study and make a report to Congress within 9 months after the date of the enactment of this Act on the appropriate payment for hospitals affected by subparagraphs (B) and (C) of section 1886(d)(8) of the Social Security Act (as amended by subsection (a) of this section) and the appropriate treatment of the wage and wage-related costs of such hospitals in computing area wage indices.

SEC. 8404. DEMONSTRATION PROJECTS WITH RESPECT TO CHRONIC VENTILATOR-DEPENDENT UNITS IN HOSPITALS.

(a) **IN GENERAL.**—Section 429(a) of the Medicare Catastrophic Coverage Act of 1988 is amended by striking “up to” each place it appears and inserting “at least”.

(b) **EFFECTIVE DATE.**—The amendment made by subsection (a) shall take effect as if included in the Medicare Catastrophic Coverage Act of 1988.

SEC. 8405. ELECTION OF PERSONNEL POLICY FOR PROPAC EMPLOYEES.

With respect to employees of the Prospective Payment Assessment Commission hired before December 22, 1987, such employees shall have the option to elect within 60 days of the date of enactment of this Act to be covered under either the personnel policy in effect with respect to such employees before December 22, 1987, or under the employees coverage provided under the last sentence of section 1886(e)(6)(D) of the Social Security Act.

PART II—RELATING TO PARTS A AND B OF MEDICARE PROGRAM

SEC. 8411. TREATMENT OF CERTAIN NURSING EDUCATION PROGRAMS.

(a) **DEMONSTRATION OF JOINT NURSING GRADUATE EDUCATION PROGRAMS.**—

(1) The Secretary of Health and Human Services shall provide for demonstration programs under this subsection in each of 5 hospitals for cost reporting periods beginning on or after July 1, 1989, and before July 1, 1994.

(2) Under each demonstration project, subject to paragraph (4), the reasonable costs incurred by a hospital pursuant to a

written agreement with an educational institution for the activities described in paragraph (3) conducted as part of an approved educational program that—

(A) involves a substantial clinical component (as determined by the Secretary), and

(B) leads to a master's or doctoral degree in nursing, shall be allowable as reasonable costs under title XVIII of the Social Security Act and reimbursed under such title on the same basis as if they were allowable direct costs of a hospital-operated approved educational program (other than an approved graduate medical education program).

(3) The activities described in this paragraph are the activities for which the reasonable costs of conducting such activities are allowable under title XVIII of the Social Security Act if conducted under a hospital-operated approved educational program (other than an approved graduate medical education program), but only to the extent such activities are directly related to the operation of the educational program conducted pursuant to the written agreement between the hospital and the educational institution.

(4) The amount paid under a demonstration program under this subsection to a hospital for a cost reporting period may not exceed \$200,000.

(5) The Secretary shall report to Congress, by not later than January 1, 1995, on the demonstration programs conducted under this subsection and on the supply and characteristics of nurses trained under such programs.

(b) **JOINT UNDERGRADUATE EDUCATION PROGRAM.**—In the case of a hospital which (1) was paid under a waiver under section 402 of the Social Security Amendments of 1967 and section 222 of the Social Security Amendments of 1972, which waiver expired on September 30, 1985, and (2) during its cost reporting period beginning in fiscal year 1985 and for each subsequent cost reporting period, has been and is associated with, and has incurred and incurs substantial costs with respect to, a nursing college with which it has shared and shares common directors, educational activities of the nursing college shall be considered to be educational activities operated directly by such hospital for purposes of title XVIII of the Social Security Act, and shall be allowable as reasonable costs under such title and reimbursed under such title on the same basis as if they were allowable direct costs of a hospital-operated approved educational program (other than an approved graduate medical education program), for hospital cost reporting periods beginning in fiscal years 1989, 1990, and 1991.

SEC. 8412. ELIMINATION OF WAIVERS OF 50:50 RULE FOR HMO ENROLLMENT.

(a) **IN GENERAL.**—

(1) Section 1876(f) of the Social Security Act (42 U.S.C. 1395mm(f)), as amended by section 4018(a) of the Omnibus Budget Reconciliation Act of 1987, is amended by striking paragraph (3) and by redesignating paragraph (4) as paragraph (3).

(2) Subsection (c) of section 4018 of the Omnibus Budget Reconciliation Act of 1987 is repealed.

(b) **EFFECTIVE DATE.**—The amendments made by subsection (a) shall not apply to contracts in effect on the date of the enactment of this Act or extensions (not exceeding 90 days) thereof.

SEC. 8413. INCREASE IN AUTHORIZATION FOR THE PATIENT OUTCOME ASSESSMENT RESEARCH PROGRAM.

Section 1875(c)(3) of the Social Security Act (42 U.S.C. 1395ll(c)(3)) is amended to read as follows:

“(3)(A) For purposes of carrying out the research program, there are authorized to be appropriated—

“(i) from the Federal Hospital Insurance Trust Fund two-thirds of the amount specified in subparagraph (B), and

(ii) from the Federal Supplementary Medical Insurance Trust Fund one-third of the amount specified in subparagraph (B).

“(B) The amount specified in this subparagraph is—

“(i) \$7,500,000 for fiscal year 1988,

“(ii) \$10,000,000 for fiscal year 1989,

“(iii) \$20,000,000 for fiscal year 1990, and

“(iv) \$30,000,000 for fiscal year 1991.”

SEC. 8414. DELAY IN REPORTING DEADLINE FOR THE UNITED STATES BIPARTISAN COMMISSION ON COMPREHENSIVE HEALTH CARE.

Section 406 of the Medicare Catastrophic Coverage Act of 1988 is amended by striking “date of the enactment of this Act” each place it appears and inserting “effective date of the first act providing appropriations for the Commission”.

PART III—PROVISIONS RELATING TO PART B OF MEDICARE

SEC. 8421. TRIP FEES FOR CLINICAL LABORATORIES.

(a) **IN GENERAL.**—Section 1833(h)(3) of the Social Security Act (42 U.S.C. 1395l(h)(3)) is amended by adding at the end the following new sentence: “In establishing a fee to cover the transportation and personnel expenses for trained personnel to travel to the location of an individual to collect a sample, the Secretary shall provide a method for computing the fee based on the number of miles traveled and the personnel costs associated with the collection of each individual sample, but the Secretary shall only be required to apply such method in the case of tests furnished during the period beginning on April 1, 1989, and ending on December 31, 1990, by a laboratory that establishes to the satisfaction of the Secretary (based on data for the 12-month period ending June 30, 1988) that (i) the laboratory is dependent upon payments under this title for at least 80 percent of its collected revenues for clinical diagnostic laboratory tests, (ii) at least 85 percent of its gross revenues for such tests are attributable to tests performed with respect to individuals who are homebound or who are residents in a nursing facility, and (iii) the laboratory provided such tests for residents in nursing facilities representing at least 20 percent of the number of such facilities in the State in which the laboratory is located.”

(b) **BUDGET NEUTRALITY.**—The Secretary of Health and Human Services shall adjust the fees for transportation and personnel established under section 1833(h)(3)(B) of the Social Security Act for tests not covered under the amendment made by subsection (a) in such manner that the total cost of fees under such section is the same as would have been the case without such amendment.

(c) **STUDY.**—The Secretary of Health and Human Services shall study reimbursement for specimen collection and transportation and personnel costs under section 1833(h)(3) of the Social Security Act and shall report to the Committees on Ways and Means and Energy and Commerce of the House of Representatives and the Committee on Finance of the Senate by May 1, 1989. The study shall—

- (1) survey carrier policies regarding such reimbursement,
- (2) report on concerns expressed by clinical diagnostic laboratories concerning such reimbursement, and
- (3) make recommendations to assure that such reimbursement is reasonable, covers the costs involved, and assures adequate access to clinical laboratory services for nursing facility residents.

SEC. 8422. BUDGET NEUTRALITY ADJUSTMENT FOR CERTIFIED REGISTERED NURSE ANESTHETISTS.

(a) **IN GENERAL.**—Section 1833(l)(3)(B) of the Social Security Act (42 U.S.C. 1395l(l)(3)(B)) is amended by inserting “plus applicable co-insurance” after “would have been paid”.

(b) **EFFECTIVE DATE.**—The amendment made by subsection (a) shall become effective as if included in the amendment made by section 9320(e)(2) of the Omnibus Budget Reconciliation Act of 1986.

SEC. 8423. COVERAGE OF PSYCHOLOGISTS’ SERVICES WHEN PROVIDED OFF-SITE AS PART OF A TREATMENT PLAN.

(a) **IN GENERAL.**—Section 1861(ii) of the Social Security Act (42 U.S.C. 1395x(ii)) is amended—

(1) by inserting “on-site” before “at a community mental health center”, and

(2) by inserting “, and such services that are necessarily furnished off-site (other than at an off-site office of such psychologist) as part of a treatment plan because of the inability of the individual furnished such services to travel to the center by reason of physical or mental impairment, because of institutionalization, or because of similar circumstances of the individual,” after “Public Health Service Act”).

(b) **EFFECTIVE DATE.**—The amendments made by subsection (a) shall be effective with respect to services furnished on or after January 1, 1989.

SEC. 8424. NONAPPLICATION OF CERTAIN REQUIREMENTS TO PHYSICAL THERAPISTS.

(a) **IN GENERAL.**—Section 1861(p) of the Social Security Act (42 U.S.C. 1395x(p)) is amended by adding at the end the following new sentence: “Nothing in this subsection shall be construed as requiring, with respect to outpatients who are not entitled to benefits under this title, a physical therapist to provide outpatient physical therapy services only to outpatients who are under the care of a physician or pursuant to a plan of care established by a physician.”.

(b) **EFFECTIVE DATE.**—The amendment made by subsection (a) shall become effective with respect to services provided after December 31, 1988.

SEC. 8425. FUNCTIONS OF PHYSICIAN PAYMENT REVIEW COMMISSION.

(a) **ADDITIONAL FUNCTION.**—Section 1845(b)(2) of the Social Security Act (42 U.S.C. 1395w-1(b)(2)) is amended—

- (1) by striking “and” at the end of subparagraph (G),

(2) by striking the period at the end of subparagraph (H) and inserting “; and”, and

(3) by adding at the end the following new subparagraph:

“(I) consider policies for moderating the rate of increase in expenditures under this part and the rate of increase in utilization of services under this part.”.

(b) **EFFECTIVE DATE.**—The amendments made by subsection (a) shall take effect on the date of the enactment of this Act and shall first apply to recommendations submitted in 1989.

SEC. 8426. MORATORIUM ON LABORATORY PAYMENT DEMONSTRATION EXTENDED.

Section 9204(a) of the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended by section 9339(e) of the Omnibus Budget Reconciliation Act of 1986 and section 4085(c) of the Omnibus Budget Reconciliation Act of 1987, is amended by striking “January 1, 1989” and inserting “January 1, 1990”.

SEC. 8427. PAYMENT FOR MEDICAL ESCORT OR MEDICAL ATTENDANT ON COMMERCIAL AIRLINER ALLOWED.

(a) **IN GENERAL.**—The Secretary of Health and Human Services shall provide that in cases where (as of the date of the enactment of this Act) transportation on a commercial airliner is covered under section 1861(s)(7) of the Social Security Act, the Secretary shall also provide for payment for medically necessary services of a medical escort or medical attendant.

(b) **EFFECTIVE PERIOD.**—Subsection (a) shall apply to payment for services furnished during the 5-year period beginning on July 1, 1989.

PART IV—PROVISIONS RELATING TO MEDICAID

SEC. 8431. DELAY IN ISSUANCE OF FINAL REGULATIONS CONCERNING THE USE OF VOLUNTARY CONTRIBUTIONS AND PROVIDER-PAID TAXES BY STATES TO RECEIVE FEDERAL MATCHING FUNDS.

The Secretary of Health and Human Services shall not issue any final regulation prior to May 1, 1989, changing the treatment of voluntary contributions or provider-paid taxes utilized by States to receive Federal matching funds under title XIX of the Social Security Act.

SEC. 8432. MEDICAID LONG-TERM CARE WAIVER PROGRAM.

(a) **MODIFICATION OF FORMULA.**—Section 1915(d)(5)(B) of the Social Security Act (42 U.S.C. 1396n(d)(5)(B)) is amended by adding at the end the following new clause:

“(iv) If there is enacted after December 22, 1987, an Act which amends this title and which results in an increase in the aggregate amount of medical assistance under this title for nursing facility services and home and community-based services for individuals who have attained the age of 65 years, the Secretary, at the request of a State with a waiver under this subsection for a waiver year or years and in close consultation with the State, shall adjust the projected amount computed under this subparagraph for the waiver year or years to take into account such increase.”.

(b) **TECHNICAL MODIFICATIONS.**—Clauses (i) and (ii) of section 1915(d)(5)(B) of such Act (42 U.S.C. 1396n(d)(5)(B)) are amended—

(1) by inserting "(rounded to the nearest quarter of a year)" after "the number of years" each place it appears,

(2) by striking "before the waiver year" each place it appears and inserting "at the end of the waiver year",

(3) by striking "between the base year and the waiver year" each place it appears and inserting "between the beginning of the base year and the beginning of the waiver year", and

(4) by inserting "(rounded to the nearest quarter of a year)" after "for each year" each place it appears.

(c) **EFFECTIVE DATE.**—The amendments made by this section shall apply to waiver years beginning during or after fiscal year 1989.

SEC. 8433. EXTENSION OF TIME PERIOD FOR SUBMISSION OF CORRECTION AND REDUCTION PLANS FOR CERTAIN INTERMEDIATE CARE FACILITIES FOR THE MENTALLY RETARDED.

(a) **IN GENERAL.**—Section 1922 of the Social Security Act (42 U.S.C. 1396r-3) is amended—

(1) in subsection (a), by striking "residents" and inserting "residents (including failure to provide active treatment)";

(2) in subsection (c)(5), by inserting ", and to provide active treatment for," after "health and safety of"; and

(3) in subsection (f), by striking "within 3 years after the effective date of final regulations implementing this section" and inserting "by January 1, 1990".

(b) **EFFECTIVE DATE.**—The amendments made by subsection (a) shall become effective on the date of the enactment of this Act, and shall apply to any proceeding where there has not yet been a final determination by the Secretary (as defined for purposes of judicial review) as of the date of the enactment of this Act.

SEC. 8434. CORRECTION RELATING TO MEDICARE BUY-IN.

(a) **IN GENERAL.**—Section 1905(p)(1) of the Social Security Act (42 U.S.C. 1396d(p)(1)) is amended by striking subparagraph (B) and redesignating subparagraphs (C) and (D) as subparagraphs (B) and (C), respectively.

(b) **CONFORMING AMENDMENTS.**—

(1) Section 1902(a)(10) of such Act (42 U.S.C. 1396a(a)(10)) is amended, in the subdivision (VIII) following subparagraph (E), by inserting "who is only entitled to medical assistance because the individual is such a beneficiary" after "1905(p)(1)".

(2) Section 1902(m)(4)(A) of such Act (42 U.S.C. 1396a(m)(4)(A)) is amended by striking "1905(p)(1)(C)" and inserting "1905(p)(1)(B)".

(3) Section 1905(a) of such Act (42 U.S.C. 1396d(a)) is amended, in the matter before clause (i), by striking "in the case of a qualified medicare beneficiary" and inserting "in the case of medicare cost-sharing with respect to a qualified medicare beneficiary".

(4) Section 1905(p)(2)(A) of such Act (42 U.S.C. 1396d(p)(2)(A)), as amended by section 608(d)(14) of the Family Support Act of 1988, is amended by striking "(1)(C)" and inserting "(1)(B)".

(c) **EFFECTIVE DATE.**—The amendment made by this section shall be effective as if included in the enactment of section 301 of the Medicare Catastrophic Coverage Act of 1988.

SEC. 8435. CLARIFICATION OF FEDERAL FINANCIAL PARTICIPATION FOR CASE-MANAGEMENT SERVICES.

The Secretary of Health and Human Services may not fail or refuse to approve an amendment to a State plan under title XIX of the Social Security Act that provides for coverage of case-management services described in section 1915(g)(2) of such Act, or to deny payment to a State for such services under section 1903(a)(1) of such Act on the basis that a State is required to provide such services under State law or on the basis that the State had paid or is paying for such services from non-Federal funds before or after April 7, 1986. Nothing in this section shall be construed as requiring the Secretary to make payment to a State under section 1903(a)(1) of such Act for such case-management services which are provided without charge to the users of such services.

SEC. 8436. DETERMINATION OF PREMIUM AMOUNTS FOR EXTENDED MEDICAL ASSISTANCE.

(a) **TAKING INTO ACCOUNT CHILD CARE COSTS.**—Section 1925(d)(5)(C) of the Social Security Act, as inserted by section 303(a)(1) of the Family Support Act of 1988, is amended by inserting “(less the average monthly costs for such child care as is necessary for the employment of the caretaker relative)” after “gross monthly earnings”.

(b) **EFFECTIVE DATE.**—The amendment made by subsection (a) shall be effective as if included in the enactment of the Family Support Act of 1988.

SEC. 8437. CLARIFICATION OF WAIVER FOR HOME AND COMMUNITY-BASED SERVICES FOR INDIVIDUALS WHO WOULD OTHERWISE REQUIRE HOSPITAL OR FACILITY CARE.

(a) **IN GENERAL.**—Section 1915(c)(7)(A) of the Social Security Act (42 U.S.C. 1396n(c)(7)(A)) is amended—

(1) by striking “who are inpatients in hospitals,” and inserting “who are inpatients in, or who would require the level of care provided in, hospitals,”; and

(2) by striking “who are inpatients of those respective facilities.” and inserting “who are inpatients in, or who would require the level of care provided in, those respective facilities.”.

(b) **EFFECTIVE DATE.**—The amendment made by subsection (a) shall apply with respect to waiver applications submitted before, on, or after the date of the enactment of this Act.

TITLE IX—TRADE PROVISIONS

SEC. 9001. TRADE TECHNICAL AMENDMENTS.

(a) **IN GENERAL.**—

(1) Section 121 of the Trade Act of 1974 (19 U.S.C. 2131) is amended by striking out “(d) There are” and inserting in lieu thereof “There are”.

(2)(A) Paragraph (6) of section 203(e) of the Trade Act of 1974 (19 U.S.C. 2253(e)) is amended—

(i) by striking out “(A) the application” in subparagraph (B) and inserting in lieu thereof “(i) the application”, and

(ii) by striking out “(B) the designation” in subparagraph (B) and inserting in lieu thereof “(ii) the designation”.

**TECHNICAL AND MISCELLANEOUS
REVENUE ACT OF 1988**

CONFERENCE REPORT

TO ACCOMPANY

H.R. 4333



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VII. SOCIAL SECURITY AMENDMENTS; MEDICARE AND MEDICAID AMENDMENTS

A. Social Security Act Amendments

1. Interim benefits in cases of delayed final decisions

Present Law

If, upon appeal, an individual receives an unfavorable determination regarding disability benefits from an Administrative Law Judge (ALJ), he or she may appeal the ALJ's decision to the Social Security Administration's Appeals Council. If, on the other hand, the individual receives a favorable determination from the ALJ, the Appeals Council may review the determination on its "own motion". No disability benefits are paid while a case is under review by the Appeals Council.

House Bill

In any disability case under Title II or Title XVI of the Social Security Act in which an ALJ has made a decision favorable to the individual and the Appeals Council has not rendered a final decision within 110 days, interim benefits would be provided to the individual. (Delays in excess of 20 days caused by or on behalf of the claimant would not count in determining the 110 day period.) These benefits would begin with the month before the month in which the 110-day period expired, and would not be considered overpayments if the final decision were adverse, unless the benefits were fraudulently obtained.

The provision would be effective with respect to favorable ALJ decisions made 180 days or more after enactment.

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the House bill.

2. Application of earnings test in year of individual's death

Present Law

A social security beneficiary under age 70 with earnings in excess of certain thresholds is subject to a \$1 reduction in benefits for every \$2 earned over the exempt amount. The annual exempt amount under the earnings test is lower for beneficiaries under age 65 than for those 65-69. In 1988, the exempt amount for those under age 65 is \$6,120, and the age 65-69 exempt amount is \$8,400. The higher exempt amount is applicable in the year a beneficiary reaches age 65.

If a beneficiary dies, the annual exempt amount applicable at the time of death is prorated based on the number of months that he or she lived during the year. In addition, the lower exempt amount applies if a beneficiary dies before his or her birthdate in the year the beneficiary would have turned 65. Thus, overpayments

can occur when beneficiaries die unexpectedly and the thresholds on earnings are lower than anticipated.

House Bill

The annual exempt amount would not be prorated in the year of death. In addition, the higher annual exempt amount for beneficiaries age 65-69 would apply to people who die before their birthdate in the year that they otherwise would have attained age 65.

The provision would be effective with respect to deaths after the date of enactment.

Senate Amendment

No provision.

Conference Report

The conference agreement follows the House bill.

3. Phase-out of reduction in "windfall" benefit

Present Law

Under the "windfall" benefit provision of the Social Security Amendments of 1983, social security benefits are generally reduced for workers who also have pensions from work that was not covered under social security (e.g., work under the Federal Civil Service Retirement System). Under the regular, weighted benefit formula, benefits are determined by applying a set of declining percentages to average indexed monthly earnings. For workers who reach age 62 in 1988, a worker's basic benefit is equal to 90 percent of the first \$319 of average indexed monthly earnings, 32 percent of earnings from \$319 through \$1,922, and 15 percent of earnings above \$1,922. The formula applicable to those with pensions from noncovered employment substitutes a rate of 40 percent for the 90-percent rate in the first bracket. (The second and third factors of the formula remain the same.) The resulting reduction in the worker's social security benefit is limited to one-half the amount of the noncovered pension. The new law is being phased in over a 5-year period, beginning with those persons first eligible for social security benefits in 1986.

Workers who have 30 years or more of substantial social security coverage are fully exempt from this treatment. For workers who have 26-29 years of coverage, the percentage in the first bracket in the formula increases by 10 percentage points for each year over 25, as illustrated below:

Years of social security coverage:	First factor in formula (percent)
25 or fewer	40
26.....	50
27.....	60
28.....	70
29.....	80
30 or more	90

House Bill

The years of social security coverage required in order for an individual to be exempt from the windfall benefit formula would be lowered from 30 to 25 years. Similarly, the years of coverage at which the formula gradually takes effect would be scaled back, as illustrated below:

Years of social security coverage:	<i>First factor in formula (percent)</i>
20 or fewer	40
21.....	50
22.....	60
23.....	70
24.....	80
25 or more.....	90

The provision would be effective for benefits payable for months after December 1988.

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the House bill, except that the reduction would be phased out in five percent increments between 20 and 30 years of coverage, as follows:

Years of social security coverage:	<i>First factor in formula (percent)</i>
20 or fewer	40
21.....	45
22.....	50
23.....	55
24.....	60
25.....	65
26.....	70
27.....	75
28.....	80
29.....	85
30 or more.....	90

4. Denial of benefits to individuals deported or ordered deported on the basis of association with the Nazi government of Germany during World War II

Present Law

People who are deported for violating specified provisions of the Immigration and Nationality Act lose their social security benefits. The list of provisions for which people are denied benefits does not, however, include paragraph 19 of that Act. Paragraph 19, which was added to the Immigration and Nationality Act of 1978, pertains to people deported for certain activities in association with the Nazi government of Germany during World War II.

House Bill

Benefits to individuals deported as Nazi war criminals under paragraph 19 of the Immigration and Nationality Act would be terminated.

The provision would apply only in the case of deportations occurring and final orders of deportation issued, on or after the date of enactment, and only with respect to benefits beginning on or after such date.

Senate Amendment

The Senate amendment is the same as the House bill.

Conference Amendment

The conference agreement follows the House bill and the Senate amendment.

5. Modification in the term of office of public members of the Social Security Boards of Trustees

Present Law

The Boards of Trustees of the Social Security Trust Funds are composed of the Secretaries of the Treasury, Labor, Health and Human Services, and two members of the public. The members of the public are nominated by the President and confirmed by the Senate. The law specifies that their term of service is for four years, but is otherwise silent on the length of term for a public member appointed to fill a vacancy before the end of his or her term. The law is likewise silent on whether a public member is permitted to serve after the expiration of his or her term until a successor has taken office.

House Bill

A public member appointed to fill a vacancy occurring before the end of a term would be appointed only for the remainder of such term. A public member, whether appointed for a full term or appointed to fill an unexpired term, would be permitted to serve after the expiration of that term until a successor had taken office.

The provision would be effective upon enactment.

Senate Amendment

The Senate amendment is similar to the House bill, except that a trustee could serve beyond the expiration of his or her term only until the earlier of the issuance of the next report of the Boards of Trustees or the date on which a successor takes office.

Conference Agreement

The conference agreement follows the Senate amendment.

6. Continuation of disability benefits during appeal

Present Law

A disability insurance beneficiary who is determined to be no longer disabled may appeal the determination sequentially through three appellate levels within the Social Security Administration (SSA): a reconsideration, usually conducted by the State Disability Determination Service that rendered the initial unfavorable determination; a hearing before an SSA Administrative Law Judge (ALJ); and a review by a member of SSA's Appeals Council.

The beneficiary has the option of having his or her benefits continued through the hearing stage of appeal. If the earlier unfavorable determinations are upheld by the ALJ, the benefits are subject to recovery by the agency. (If an appeal is determined to be in good faith, benefit repayment may be considered for waiver.) Medicare eligibility is also continued, but medicare benefits are not subject to recovery.

The Omnibus Budget Reconciliation Act of 1987 extended this provision for one year. The Act authorized the payment of interim benefits to persons in the process of appealing termination decisions made before January 1, 1989. Such payments may continue through June 30, 1989 (i.e., through the July 1989 check).

House Bill

The period in which disability benefits may be paid, and medicare eligibility continued, while an appeal is in progress would be extended for one additional year. Upon application by the beneficiary, benefits would be paid while an appeal is in progress with respect to unfavorable determinations made on or before December 31, 1989, and would be continued through June 1990 (i.e., through the July 1990 check).

The provision would be effective with respect to unfavorable decisions made on or before December 31, 1989.

Senate Amendment

The Senate amendment is the same as the House bill.

Conference Agreement

The conference agreement follows the House bill and the Senate amendment.

7. Extend social security exemption for members of certain religious faiths

Present Law

Self-employed workers may claim an exemption from social security coverage if they are members of a religious sect or division that is conscientiously opposed to the acceptance of public or private insurance benefits, if they have waived all benefits under Titles II and XVIII, and if the sect or division has been in existence since December 31, 1950, and provides for the care of its dependent

members (e.g., the Amish). Employees who belong to such religious sects, however, are required to participate in social security.

House Bill

The provision would extend the current-law treatment of the self-employed to their employees in cases where both the employee and the employer are members of a qualifying religious sect or division. The optional exemption would apply to both the employer and employee portion of the tax.

The provision would apply to taxable years beginning on or after January 1, 1989.

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the House bill.

8. Blood donor locator service

Present Law

Government agencies may require individuals to furnish social security numbers (SSNs) only for certain specified purposes. States are authorized to require SSNs to administer tax, public assistance, drivers' license and motor vehicle registration laws.

House Bill

States or authorized blood donation facilities (those licensed or registered with the Food and Drug Administration, such as the Red Cross) would be permitted to require donors to furnish SSNs. The Secretary of Health and Human Services (HHS) would be required to establish and operate a Blood Donor Locator Service, under the direction of the Commissioner of Social Security, to be used to obtain and transmit the most recent mailing address of any blood donor whose blood shows that he or she may be carrying the virus for acquired immune deficiency syndrome (AIDS), for the sole purpose of informing the blood donor of the possible need for medical care and treatment.

The provision would permit access to the address information only to State agencies and blood donation facilities meeting requirements for confidentiality and security.

The Secretary of HHS would be required to establish the Blood Donor Locator Service no later than 180 days after the date of enactment.

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the House bill.

9. Payment of lump-sum death benefits to legal representatives of widows and widowers who die before receiving payment

Present Law

A lump-sum death payment of \$255 is payable on the death of an insured worker to a surviving spouse who is living with the worker at the time of the worker's death. If there is no such spouse, then the benefit is payable to a surviving spouse who is eligible for benefits as a widow(er), mother, or father at the time of the worker's death. If there is no eligible spouse, the lump-sum death payment is payable to a child of the deceased worker who was eligible to receive benefits on the deceased's earnings record at the time of the worker's death. If the widow(er) dies before making application for the lump-sum payment or before negotiating the benefit check, no lump-sum death benefit is payable.

House Bill

The provision would permit the legal representative of the estate of a deceased widow(er) to claim the lump-sum payment in cases in which the otherwise eligible widow(er) dies before having both received and negotiated such payment. Where the legal representative of the estate is a State or political subdivision of a State, the lump-sum benefit would not be payable.

The provision would be effective with respect to deaths of widow(er)s occurring on or after January 1, 1989.

Senate Amendment

No provision.

Conference Agreement

The conference agreement does not include the House provision.

10. Requirement of social security number as a condition for receipt of social security benefits

Applicants for social security benefits are not required to have social security numbers (SSNs) in order to receive benefits. The absence of an SSN for auxiliary and survivor beneficiaries hampers monitoring which might detect duplicate benefit payments, unreported earnings, or entitlement to other benefits.

The SSA currently requests that applicants voluntarily provide their SSNs. Under Federal law, recipients of Aid to Families with Dependent Children, Supplemental Security Income, and Veterans' Assistance benefits are currently required to provide their SSNs in order to receive benefits under those programs.

House Bill

Individuals would be required to have an SSN in order to receive social security benefits. Those lacking an SSN would be required to apply for one. Beneficiaries currently on the rolls would not be subject to this requirement.

The provision would be effective with respect to benefit entitlements commencing after the sixth month following the month of enactment.

Senate Amendment

The Senate amendment is the same as the House bill.

Conference Agreement

The conference agreement follows the House bill and the Senate amendment.

11. Substitution of certificate of election for application to establish entitlement for certain reduced widow's and widower's benefits

Present Law

An individual who (1) is receiving a combination of a reduced spouse's benefit and either retirement or disability benefits on his or her own record and (2) is between the ages of 62 and 65 when his or her spouse dies, must file an application to receive reduced widow(er)'s benefits.

Those who are over age 65 when the worker dies and who are receiving spouses' benefits or those age 62-65 when the worker dies who are not entitled to their own retirement or disability benefits may receive reduced widow(er)s' benefits by filing a certificate of election rather than an application.

An application for a reduced widow(er)'s benefit is generally not effective for months before the month of filing. Thus, a break in entitlement could occur if the application were not filed in a timely fashion.

House Bill

An individual who is receiving both a reduced spouse's benefit and a retirement or disability benefit and who is between the ages of 62 and 65 when his or her spouse dies, could receive a reduced widow(er)'s benefit by filing a certificate of election. A certificate of election would be effective for up to 12 months before it is filed.

The provision would be effective with respect to benefits payable based on the record of individuals who die after the month of enactment.

Senate Amendment

The Senate amendment is the same as the House bill.

Conference Agreement

The conference agreement follows the House bill and the Senate amendment.

12. Calculation of windfall benefit guarantee amount based on pension amounts payable in the first month of concurrent entitlement rather than concurrent eligibility

Present Law

Under the windfall benefit provision, a special formula is used to compute the social security benefits of workers who are also eligible for pensions based on non-covered employment. The "windfall guarantee" assures that the resulting reduction in the social security benefit will not exceed one-half of the amount of the noncovered pension. The amount of the noncovered pension used in this calculation is the amount payable in the first month the individual is *eligible* for both the pension and social security (i.e., the first month he or she could receive both of these benefits if he or she applied for them—the month of "concurrent eligibility"). This amount is used regardless of whether the individual actually receives (i.e., is *entitled* to) the benefits at that time.

To compute an individual's benefits, the Social Security Administration must ask the individual's pension administrator to determine the pension amount that would have been payable at the date of first concurrent eligibility for both the pension and social security (usually age 62) regardless of the pension amount which the person will actually receive upon entitlement. Processing delays and errors can occur when pension administrators make this fictitious computation of the pension amount.

House Bill

The amount of the pension considered when determining the windfall guarantee would be the amount payable in the first month of concurrent *entitlement* to both social security and the pension from noncovered employment.

The provision would be effective for benefits based on applications filed after the month in which this Act is enacted.

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the House bill.

13. Consolidation of reports on continuing disability reviews

Present Law

The Secretary of Health and Human Services is required to make two types of reports on continuing disability reviews to the Senate Committee on Finance and House Committee on Ways and Means. The first is a semiannual report on the results of continuing disability reviews. The second is an annual report on the appropriate number of disability cases to be reviewed in each State.

House Bill

The frequency of the report on the results of continuing disability reviews would be changed from semiannual to annual.

The provision would be effective with respect to reports required to be submitted after the date of enactment.

Senate Amendment

The Senate amendment is the same as the House bill.

Conference Agreement

The conference agreement follows the House bill and the Senate amendment. The conferees intend this change to allow the two reports on continuing disability reviews to be consolidated into one annual report to the Senate Committee on Finance and the House Committee on Ways and Means. The conferees also intend that this report remain separate from the Social Security Administration's Annual Report to the Congress.

14. **Exclusion of employees separated from employment before January 1, 1989, from rule including as wages taxable under FICA certain payments for group-term life insurance**

Present Law

The Omnibus Budget Reconciliation Act of 1987 required the cost of employer-provided group-term life insurance to be included in wages for FICA tax purposes if it is includible for income tax purposes. Under current law, it is includible for income tax purposes to the extent that coverage exceeds \$50,000.

House Bill

Group-term life insurance provided to individuals who separated from service before January 1, 1989 would be excluded from FICA tax.

The provision would be effective with respect to separations from service before January 1, 1989.

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the House bill.

15. **Treatment of earnings of corporate directors**

Present Law

The Omnibus Budget Reconciliation Act (OBRA) of 1987 provides that corporate directors' earnings shall be treated as received when earned, regardless of when actually paid, for purposes of both the social security tax and the social security retirement test. Prior to OBRA, because corporate directors' earnings were treated as self-employment income, directors were able to defer the impact of

FICA taxation and avoid benefit reductions from the retirement test by deferring receipt of earnings until reaching age 70.

House Bill

The portion of the 1987 OBRA provision that treats directors' earnings as received when earned, and thus taxable for social security purposes, would be repealed. Directors' earnings would be treated as received when earned only for purposes of the social security retirement test.

The provision would be effective as if it had been included in OBRA of 1987 at the time of its enactment.

Senate Amendment

No provision.

Conference Agreement

The conference agreement does not include the House provision.

16. Clarification of applicability of government pension offset to certain Federal employees

Present Law

Social security benefits payable to spouses of retired, disabled, or deceased workers are reduced to take account of any public pension the spouse receives as a result of work in a government job not covered by social security. The amount of the reduction is equal to two-thirds of the government pension.

Generally, Federal workers hired before 1984 are part of the Civil Service Retirement System (CSRS) and are not covered by social security. Most Federal workers hired after 1983 are covered by the Federal Employees' Retirement System Act of 1986 (FERS), which includes coverage by social security. The FERS law provided that workers covered by the CSRS could, from July 1, 1987 through December 31, 1987, make a one-time election to join FERS. Because the law generally provides that the offset does not apply to workers whose government job is covered by social security on the last day of the person's employment, a CSRS employee who switched to FERS during this period immediately became exempt from the government pension offset. This exemption, however, was only available if the election to change to FERS actually took effect prior to the date of the individual's retirement. The Omnibus Budget Reconciliation Act (OBRA) of 1987 provided that employees who elect to join FERS during any election period which may occur after 1987 would be exempt only if they have five or more years of Federal service covered by social security after June 30, 1987.

House Bill

The House bill would provide that any employee who elected FERS on or before December 31, 1987 would be exempt from the government pension offset even if that person retired from government service before their FERS coverage became effective.

In addition, the provision would make it clear that the 1987 OBRA provision applies not only to Federal employees who join FERS by electing to become subject to chapter 84 of title 5, United States Code, but also to foreign service employees who join FERS by electing to become subject to chapter 22 of title 1, United States Code.

The provision would be effective as if it had been included in OBRA of 1987 at the time of its enactment.

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the House bill.

17. Clarification regarding social security coverage for certain civil servants

Present Law

(1) The Social Security Amendments of 1983 provided mandatory social security coverage for presidential appointees as well as the President, Members of Congress, Federal judges, and certain executive level civil servants. However, section 205(p) of the Social Security Act provides that the Secretary of Health and Human Services (HHS) shall accept the determination of the head of a Federal agency as to whether a Federal employee has performed service, as to the periods of such service, and as to the amount of remuneration which constitutes wages. The Office of Personnel Management (OPM) has interpreted this section to mean that a Federal agency may determine whether or not an employee's service constitutes social security covered employment. Because the civil service statute permits career Senior Executive Service (SES) employees to retain their pay, rank, and retirement plan when they move to a presidential appointment, OPM has interpreted section 205(p) to mean that such individuals may avoid social security coverage despite the coverage provisions of the 1983 Social Security Amendments (while retaining coverage under the old Civil Service Retirement System).

(2) When an individual accepts a mandatorily covered Federal job and subsequently returns to his or her previous job or another noncovered Federal job, he or she loses social security coverage.

House Bill

(1) The House bill would clarify that the Secretaries of HHS and Treasury, not the head of any other Federal agency, have the authority to make the final determination as to whether an individual's services constitute social security covered employment, including those of presidential appointees.

(2) In addition, the House bill would clarify that any civil servant who becomes covered by social security as a result of taking a mandatorily covered Federal job would retain social security coverage in any subsequent Federal job.

The first provision would be effective with respect to determinations relating to service commenced in any position on or after the date of enactment; the second provision would be effective with respect to service performed on or after the date of enactment in a position mandatorily covered by social security.

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the House bill.

18. Technical corrections in OASDI provisions

Present Law

There are miscellaneous minor and technical errors in the current OASDI provisions.

House Bill

The House bill makes minor and technical revisions in OASDI provisions.

The provisions generally would be effective upon enactment, except for certain provisions that would be effective as if included in the relevant public law at the time of its enactment.

Senate Amendment

The Senate amendment includes similar minor and technical revisions.

Conference Agreement

The conference agreement follows the House bill and the Senate amendment with technical changes.

19. National Academy of Social Insurance

Present Law

No provision.

House Bill

No provision.

Senate Amendment

The Senate amendment provides a Federal charter for the National Academy of Social Insurance (a tax-exempt corporation, organized and incorporated under the laws of the District of Columbia), with the objects and purposes of: (1) promoting an informed and nonpartisan study of, and education with respect to, social insurance; (2) bringing together experts with diverse backgrounds to consider social insurance in an interdisciplinary way; (3) assisting in the development of social insurance scholars and administrators;

(4) encouraging research and studies on topics of relevance to social insurance; and (5) sponsoring seminars and other public meetings.

The National Academy of Social Insurance is to report on its activities to Congress annually.

The provision would be effective upon enactment.

Conference Agreement

The conference agreement does not include the Senate provision.

20. Exemption from FICA tax for certain agricultural workers

Present Law

Cash wages paid by an employer to an employee for agricultural labor in any calendar year are subject to FICA tax if (1) the employee received cash remuneration of at least \$150, or (2) the employer pays more than \$2,500 to all employees for such agricultural labor during the taxable year.

House Bill

No provision.

Senate Amendment

Under the Senate amendment, wages paid to an employee who receives less than \$150 in annual cash remuneration by an agricultural employer would not be subject to FICA tax even if the employer pays more than \$2,500 in the year to all employees, provided the employee: (1) is employed in agriculture; (2) is a hand harvest laborer; (3) is paid on a piece-rate basis; (4) is paid piece-rates in an operation which has been, and is customarily and generally recognized as having been paid on a piece-rate basis in the region of employment; (5) commutes daily from his or her permanent residence to the farm on which he or she is so employed; and (6) has been employed in agriculture less than 13 weeks during the preceding calendar year. These criteria are the same as those specified in section 13(a)(6)(C) of the Fair Labor Standards Act. The remuneration paid to employees exempt under this provision would nevertheless count toward the \$2,500 test for purposes of determining the coverage of employees who do not meet the conditions for exemption under this provision.

The provision would be effective as if included in the amendments made by section 9002 of the Omnibus Budget Reconciliation Act of 1987 (i.e., for remuneration for agricultural labor paid after December 31, 1987.)

Conference Agreement

The conference agreement follows the Senate amendment with technical modifications.

21. Certain employer pension contributions not included in FICA wage base

Present Law

The 1983 Social Security Amendments provided that the payment by a State or local employer of employee contributions under a State or local retirement plan would be treated as wages subject to employment taxes (FICA and FUTA). The Deficit Reduction Act of 1984 modified this provision to allow the exclusion from wages for employment tax purposes of any amounts paid by a State or local employer of employee contributions pursuant to a State "pick-up" plan unless the pickups were made pursuant to a salary reduction agreement. On the basis of the 1984 Act, some States established pick-up plans after obtaining letter rulings from the Internal Revenue Service to the effect that the pickups would not be considered wages for employment purposes. A subsequent review of the issue, in the light of statement of managers language in the conference report on the 1984 Act, led the Internal Revenue Service to reverse its position and to revoke the earlier letter rulings. In revoking the earlier letter rulings, the IRS indicated that the States affected could apply for relief from liability for employment taxes on the pickups with respect to the retroactive period prior to the revocation of the letter ruling.

House Bill

No provision.

Senate Amendment

The Senate amendment would relieve State or local governments from FICA tax liability for employer "pickups" subsequent to the effective date of the 1984 Act to the extent that the State did not pay the FICA taxes in good faith reliance on a letter ruling of the Internal Revenue Service.

The relief would apply only to pickups for which FICA taxes were not paid and only for the period ending with the earlier of the date of enactment of this provision or the receipt by the State or local government from the IRS of a notice of revocation of the letter ruling.

Conference Agreement

The conference agreement follows the Senate amendment, with technical modifications.

22. Required use of consumer price index for urban consumers by Federal officers or agencies in determining certain cost-of-living increases

Present Law

In determining cost-of-living adjustments (COLAs) in amounts of benefits or allowances in several Federal programs (including Social Security, supplemental security income (SSI), and railroad retirement), the administering agency uses the Consumer Price

Index for Urban Wage Earners and Clerical Workers, i.e., CPI-W. With respect to Social Security, SSI, and railroad retirement, COLAs are based on the percentage change in the CPI-W, measured from the average of the third quarter of one year to the average of the third quarter of the succeeding year.

House Bill

No provision.

Senate Amendment

Any Federal officer or agency that administers a Federal program that provides benefits or allowances which are adjusted periodically in consonance with the consumer price index would be required to use the Consumer Price Index for Urban Consumers, i.e., CPI-U.

The provision would not apply to a COLA formula which has been negotiated between any private or public (i.e., State or local government) employer and any labor union or employee association, nor to present or future actions relating to rights, benefits, or obligations between individuals, businesses, and State and local governments.

The provision would apply to any Federal cost-of-living adjustment payable in any month beginning on or after December 1, 1989.

Conference Agreement

The conference agreement does not include the Senate provision.

23. Report regarding disability applications involving AIDS related complex (ARC)

Present Law

No provision.

House Bill

No provision.

Senate Amendment

The Department of Health and Human Services would be required to report to the Committee on Ways and Means and the Committee on Finance concerning applications for social security disability benefits by persons with AIDS related complex (ARC).

The report would indicate the number of applications approved, denied (by reason for denial), and reversed on appeal for fiscal years 1988, 1987, and, to the extent feasible, 1986. Denial and allowance rates would be provided on a State and regional basis to the extent feasible. The report would also describe the criteria, guidelines and other information used to determine the eligibility of applicants suffering from ARC (including copies of relevant SSA documents), as well as information on any modifications in these criteria and guidelines which are under consideration. The cost of benefits for such persons during the years in question and projected

costs for the coming three years would also be reported. Finally, a report would be required on what arrangement, if any, exists for coordination between the Social Security Administration and State disability insurance programs to make individuals with ARC aware of the benefits which may be available to them under Federal and State programs.

The provision would be effective upon enactment and the required report due no later than six months thereafter.

Conference Agreement

The conference agreement follows the Senate amendment.

B. Public Assistance Provisions

1. Moratorium on emergency assistance and AFDC special needs regulations

Present Law

States may operate an emergency assistance program for needy families with children (whether or not eligible for AFDC), if the aid is needed to avoid the child's destitution or to provide living arrangements in a home for the child. The law authorizes 50-percent Federal matching funds for emergency assistance "furnished for a period not in excess of 30 days in any 12-month period." Current regulations state that Federal matching funds are available for emergency assistance "which the State authorizes during one period of 30 consecutive days in any 12 consecutive months, including payments which are to meet needs which arose before such 30-day period or are for such needs as rent which extend beyond the 30-day period."

Current AFDC regulations also allow States to include in their standards of need provision for meeting "special needs" of applicants and recipients. The State plan must specify the circumstances under which such payments will be made.

On December 14, 1987, the Department of Health and Human Services published in the *Federal Register* a proposed regulation that would have restricted use to AFDC emergency assistance funds for homeless families and limited States' authority to make payments for special needs to AFDC recipients. The proposed rules would have prohibited emergency assistance to cover needs over a period in excess of 30 days per year (permitting aid only "to meet the actual expense of needs in existence" during the 30-day period). The proposed rules also would have forbidden the States to include in their standard of need, as a special or basic need, an amount for shelter varied according to the type of housing (for example, house vs. hotel).

The Omnibus Budget Reconciliation Act of 1987 (P.L. 100-203) established a moratorium under which the Secretary of Health and Human Services was directed not to implement the proposed regulations or otherwise modify current policy regarding the subject of those regulations before October 1, 1988.

House Bill

No provision in H.R. 4333. (A separate House-passed bill—H.R. 4352—has a provision identical to the Senate amendment.)

Senate Amendment

The Senate amendment extends the moratorium on changing current policy regarding emergency assistance and special needs for homeless families to October 1, 1989.

Conference Agreement

The conference agreement follows the Senate amendment.

2. Disregard of certain housing assistance for SSI recipients

Present Law

Under the SSI program, assistance is provided to needy, aged, blind, and disabled persons to bring their income up to certain amounts set in Federal and State law. In determining eligibility and benefit amount, all income of an individual is taken into account unless it is specifically excluded by law.

For SSI purposes, housing aid provided under the United States Housing Act of 1937 is excluded from consideration as income or resources. The Housing and Community Development Act of 1987 (P.L. 100-242) transferred the authorization of housing assistance for the nonelderly disabled from the United States Housing Act of 1937 to the Housing Act of 1959, effective for projects developed and contracts made with funds appropriated after enactment. P.L. 100-242 did not, however, specifically exclude the consideration of this assistance as income or resources to SSI applicants or recipients under the newly-amended Housing Act of 1959.

House Bill

The House bill amends section 1612(b) of the Social Security Act to exclude from consideration as income or resources of SSI applicants or recipients assistance provided for housing under the United States Housing Act of 1937, the National Housing Act, section 101 of the Housing and Urban Development Act of 1965, Title V of the Housing Act of 1949, and section 202(h) of the Housing Act of 1959.

Senate Amendment

The Senate amendment is the same as the House bill.

Conference Agreement

The conference agreement follows the House bill and the Senate amendment.

3. Moratorium on AFDC quality control sanctions

Present Law

Current law prescribes fiscal sanctions (withholding of some program matching funds) for State AFDC payment error rates that exceed tolerances. The law sets the tolerance level at 3 percent for the 50 States and the District of Columbia; regulations set the level at 4 percent for Guam, the Virgin Islands, and Puerto Rico. Fiscal sanctions have been assessed for past erroneous excess payments, but not collected. The Consolidated Omnibus Budget Reconciliation Act of 1985 (P.L. 99-272) prohibits the Department of Health and Human Services, until July 1, 1988, from reducing AFDC payments to States for excess errors identified by the AFDC quality control system. COBRA also required that two studies be undertaken (by the National Academy of Sciences and the Secretary of Health and Human Services) to examine how best to operate the quality control system so as to improve program administration and provide reasonable data on which to base sanctions. Both studies were completed in early 1988.

House Bill

The House bill extends the moratorium on collection of quality control disallowances for 1 year, until July 1, 1989, and requires the Secretary of Health and Human Services to submit recommendations for improving the quality control system by February 15, 1989.

The House bill provides that during the moratorium:

(1) The Secretary of Health and Human Services and the States shall continue to operate the AFDC quality control systems and to calculate error rates (maintaining the waiver request and review processes).

(2) The Departmental Grant Appeals Board shall continue to review disallowances (for fiscal year 1981 and thereafter) and to hear appeals, but collection of disallowances owed as a result of Board decisions "shall not occur."

The provision is effective on July 1, 1988.

Senate Amendment

No provision in H.R. 4333. (However, a similar extension of the moratorium to July 1, 1989, is included in H.R. 1720, the Family Support Act of 1988, P.L. 100-485.)

Conference Agreement

The conference agreement follows the Senate amendment (i.e., does not include the provision, as it is included in P.L. 100-485).

4. AFDC foster care independent living initiatives

Present Law

The Consolidated Omnibus Budget Reconciliation Act of 1985 (P.L. 99-272) authorized funds on an entitlement basis for State independent living programs, for fiscal years 1987 and 1988, to help

AFDC foster care children aged at least 16 make the transition to independence.

Eligible are children receiving assistance under the Title IV-E foster care program, which provides Federal aid for foster care maintenance payments. Title IV-E assistance is limited to those foster care children who would have been eligible for AFDC before they were removed from their home and placed in foster care.

The Secretary of Health and Human Services is required to submit a report on the program to Congress by July 1, 1988. States are required to submit reports on their programs to the Secretary not later than March 1988. The law provided \$45 million in entitlement funds for the program in each of the two fiscal years (1987 and 1988), but States did not begin receiving funds until July 1987.

House Bill

The House bill extends authority for State independent living initiatives for foster care children for 1 year, through fiscal year 1989, with funding of \$45 million.

The House bill also makes the following changes:

(1) Permits States to spend fiscal year 1987 carry-over funds in fiscal year 1989.

(2) Permits States to use program funds for services for two additional groups of children: any or all children in foster care who are at least age 16 (including those not receiving maintenance payments under Title IV-E) and, for up to 6 months after foster care payments or foster care ends, for children previously in foster care and whose care or payments ended on or after they attained age 16.

(3) Prohibits use of program funds for provision of room and board.

(4) Modifies the definition of case review under Title IV-E to clarify that the 18-month dispositional hearing must include a determination of the services needed to assist a child who has reached 16 make the transition from foster care to independent living.

(5) Requires each State to submit a report on the program by January 1, 1989 to the Secretary of HHS. Requires the Secretary to report to Congress on the program by March 1, 1989.

The authority for States to include non-AFDC foster care children in the independent living program and the prohibition on use of funds for room and board are effective on enactment. The remaining provisions are effective on October 1, 1988.

Senate Amendment

The Senate amendment is the same as the House bill, with the proviso that the funds have been appropriated. (Appropriations have been enacted for fiscal year 1989.)

Conference Agreement

The conference agreement follows the House bill, modified to require States to submit a report to the Secretary by February 1, 1989 rather than January 1, 1989.

C. Provision Regarding Report of National Commission on Children: Delay in Commission's Reporting Date

Present Law

The National Commission on Children, authorized under the Omnibus Budget Reconciliation Act of 1987 (P.L. 100-203), is required to study and issue a final report by March 30, 1989 (and an interim report on September 30, 1988) with recommendations regarding health of children, social and support services for children and their parents, education, income security, and tax policy. The Commission is composed of 36 members, with 12 members each appointed by the President, the President pro tempore of the Senate, and the Speaker of the House. No fiscal year 1988 funds were appropriated for the Commission.

House Bill

No provision.

Senate Amendment

Because of the delay in funding for the Commission, the Senate amendment postpones the reporting dates for 1 year. Thus, the interim report would be due September 30, 1989, and the final report would be due March 31, 1990.

Conference Agreement

The conference agreement follows the Senate amendment, modified to require an interim report by March 31, 1990, and a final report by September 30, 1990.

D. Unemployment Compensation Provisions

1. Due dates for self-employment demonstration projects for unemployment compensation beneficiaries

Present Law

The Omnibus Budget Reconciliation Act of 1987 (P.L. 100-203) authorized demonstration projects in three States to make available "self-employment allowances" that unemployment compensation claimants could use to set up a business. The allowances are equal in amount and duration to the participant's regular or extended unemployment compensation benefits; but participants are not subject to the usual requirement that they be available to work for another employer.

Current law requires two reports to Congress on these projects. An interim report is due no later than 2 years after the date of enactment (December 21, 1987), and a final report is due no later than 4 years after enactment.

House Bill

The House bill extends the due dates for reports on the projects. It requires the interim report to be submitted no later than 3 years after the date of enactment of P.L. 100-203 (i.e., by December 21,

1990); the final report, no later than 6 years after enactment of P.L. 100-203 (i.e., by December 21, 1993).

Senate Amendment

No provision.

Conference Agreement

The conference agreement follows the House bill.

2. Exemption of certain religious schools from Federal unemployment tax

Present Law

Section 3304(a)(6)(A) of the Federal Unemployment Tax Act (FUTA) requires States to cover under their unemployment compensation law certain nonprofit organizations. There are two exceptions from this required coverage, for services performed in the employ of: (1) a church, or convention, or association of churches; or (2) an organization which is operated primarily for religious purposes and which is operated, supervised, controlled or principally supported by a church or convention or association of churches.

House Bill

No provision.

Senate Amendment

The provision amends the Internal Revenue Code to provide another exception from mandatory participation for service performed in the employ of an elementary or secondary school which meets certain requirements. To qualify for such exemption, the elementary or secondary school must be: (1) operated primarily for religious purposes, (2) described in section 501(c)(3), and (3) exempt from tax under section 501(a). The provision applies to services performed after December 31, 1988.

Conference Agreement

The conference agreement follows the House bill (i.e., no provision).

E. Medicare and Medicaid Amendments

1. Medicare provisions

Present Law

Title XVIII of the Social Security Act is the basic statutory authority for the Medicare program.

Title XVIII has recently been amended by provision of the Omnibus Budget Reconciliation Act of 1986 (OBRA 86), the Omnibus Budget Reconciliation Act of 1987 (OBRA 87), and the Medicare Catastrophic Coverage Act of 1988.

House Bill

No provision.

Senate Amendment

The Senate amendment contains several minor and technical amendments to the authority for the Medicare program.

Provisions Relating to Part A of Medicare

(a) The provision of the Medicare Catastrophic Coverage Act of 1988 regarding payment for hospitals exempt from the prospective payment system would be clarified.

(b) The provision of OBRA 87 regarding revision of standards for including a rural county in an urban area would be amended.

(c) The provision of the Medicare Catastrophic Coverage Act of 1988 regarding demonstration projects with respect to chronic ventilator-dependent units in hospitals would be amended to clarify that the Secretary is required to conduct at least five demonstration projects for at least three years each.

(d) The provision of OBRA 87 regarding personnel policy for Prospective Payment Assessment Commission employees would be amended to clarify that the provision of OBRA 87 is effective only for employees hired on or after December 22, 1987. Employees hired before that date could make a one-time election to be covered by the OBRA 87 policy or by policies previously in effect.

Provisions Relating to Parts A and B of Medicare

(a) Any HOM with increased costs due to the recent clarification of the benefit eligibility criteria for extended care would be allowed to submit a revised adjusted community rate for 1988.

(b) The provision of OBRA 86 regarding a program of research on patient outcomes would be amended to increase the authorization for fiscal year 1989 to \$10 million and to provide an authorization of \$20 million for fiscal year 1990 and of \$30 million for fiscal year 1991.

(c) The provision of OBRA 87 regarding rural health policy would be amended to require a grant program on rural health, to authorize \$3 million per year for each of fiscal years 1989, 1990, and 1991, and to create a national committee on rural health.

Provisions Relating to Part B of Medicare

(a) Clinical labs would be offered an option of being paid on a per mile or a flat fee basis for specimen collection costs.

(b) The provision of OBRA 86 providing budget neutrality for the fee schedule for certified registered nurse anesthetists would be clarified by specifying that the comparison between payment levels under the fee schedule and the 1986 reimbursement rules for payment of medical direction and CRNA services should take coinsurance into account on both sides of the equation.

(c) The provision of OBRA 87 providing coverage for certified nurse midwife services would be clarified to indicate that coverage is not limited to services provided during the maternity cycle.

(d) The provision of OBRA 87 providing coverage for services provided by psychologists in community mental health centers would

be extended to services necessarily provided off-site as part of a treatment plan.

(e) The amendment would authorize payment for registered nurses providing services as surgical assistants subject to several conditions.

(f) Medicare policies regarding certification of physical therapy and occupational therapy providers would be amended.

(g) The moratorium on competitive bidding demonstrations for clinical lab services extended in OBRA 87 would be extended for an additional year.

(h) The Secretary would be authorized to pay for a medical escort or attendant on commercial air flights where such flights are covered as ambulance services.

Conference Agreement

The conference agreement follows the Senate amendment with an amendment as follows:

Provisions Relating to Part A of Medicare

(a) The authority for disproportionate share payments is extended to September 30, 1995.

(b) The provision of OBRA 87 regarding continuation of bad debt recognition is clarified.

With respect to criteria for what constitutes a reasonable bad debt collection effort, the conferees are concerned about recommendations made by the Inspector General of HHS subsequent to August 1, 1987, and actions which may be taken by the Secretary in response to those recommendations, regarding the bad debt collection policies followed by certain hospitals.

The Inspector General's recommendations, for example, recommendations concerning the extent of documentation required to demonstrate indigency and the provider's responsibility regarding a decision to use a collection agency for Medicare bad debt, appear to create requirements in addition to those in the Secretary's regulations, the decisions of the Provider Reimbursement Review Board, and relevant program manual and issuances.

The actions taken in response to the Inspector General's recommendations may have the effect of violating the prohibition on changes in policy if the Secretary's response results in the retroactive disallowance of bad debt payments claimed by the hospitals.

The conferees wish to clarify that the Congress intended that the actions of fiscal intermediaries occurring prior to August 1, 1987 to approve explicitly hospital's bad debt collection practices, to the extent such action by the fiscal intermediary was consistent with the regulations, PRRB decisions, or program manuals and issuances, are to be considered an integral part of the policy in effect on that date, and thus not subject to change.

However, the conferees do not intend to preclude the Secretary from disallowing bad debt payments based on regulations, PRRB decisions, manuals, and issuance is in effect prior to August 1, 1987.

(c) The provision of OBRA 87 regarding revision of standards for including a rural county in an urban area is amended to require

that if the application of the new standards results in a reduction in the wage index for an urban area, the Secretary shall compute wage indices separately for the original urban counties and for the rural counties added as a result of the provision.

If the application of the OBRA 87 provision causes a reduction in the wage index for rural areas, the Secretary shall compute the wage index for the affected rural areas as if the OBRA 87 provision had not been enacted. The amendment applies to discharges occurring on or after October 1, 1989 and before October 1, 1991.

The conferees recognize that certain area hospital wage indices for fiscal year 1989 will be reduced as a result of the OBRA 87 provision. The conferees also recognize, however, the administrative difficulty of requiring that the Secretary implement the amendment described above in fiscal year 1989. For this reason, the amendment requires that the Secretary report to Congress within 60 days on administrative and legislative alternatives that insure that payments in fiscal year 1989 to hospitals in urban and rural areas where wage indices were adversely affected by OBRA 87 are not less than they would have been without the OBRA 87 provision.

The conferees intend that the Secretary will develop and report on approaches for fiscal year 1989 that use existing administrative authority (such as the authority under section 1886(d)(5)(c)(iii) or legislative approaches. The conferees expect that the Secretary will focus on approaches that can be implemented as early as possible in fiscal year 1989 and are consistent with the intent of the conference agreement for fiscal years 1990 and 1991.

The conferees expect that the Secretary's report will include information on the impact of the alternatives on providers and on aggregate Medicare costs as well as data on the number of discharges and changes in payment to hospitals affected (positively and negatively) by the enactment of the OBRA 87 provision.

The conferees direct that the Secretary, in developing alternatives, consider particularly the special circumstances of hospitals located in redesignated counties for which a separate wage area is created as a result of the enactment of this provision and for which the resulting wage index is well below the statewide rural wage index. Hospital wages in some redesignated counties are as little as eighty percent of statewide rural wages. The conferees expect that the Secretary will develop alternatives that will minimize the effect of this provision on payment to these hospitals.

ProPAC is directed to study and report to the Congress within nine months of enactment on methodologies to adjust payments to hospitals affected by the OBRA 87 provision in fiscal year 1989.

(d) The provision of the Medicare Catastrophic Coverage Act of 1988 regarding demonstration projects with respect to chronic ventilator-dependent units in hospitals is amended to clarify that the Secretary is required to conduct at least five demonstration projects for at least three years each.

(e) The provisions of OBRA 87 regarding personnel policy for commission employees is amended to clarify that with respect to the Prospective Payment Assessment Commission, the provision of OBRA 87 is effective only for employees hired on or after December 22, 1987. Personnel hired before this date would have the

option to elect to continue under previous personnel policies under a one-time election made within 60 days after enactment.

Provisions Relating to Parts A and B of Medicare

(a) The Secretary is required to establish graduate nursing education demonstration programs in five hospitals, under which the reasonable costs of education under the program will be allowable costs under Medicare. The Secretary is also required to establish one joint undergraduate nursing education program and to include reasonable costs of education under the program as allowable costs under Medicare. These costs would include salaries, supervision, and classroom costs. The conferees note that the provision should not be construed as affecting generally the proper treatment of these expenses under current law.

(b) The provision of OBRA 87 regarding assignment of members of HIP Health Maintenance Organization and treatment of Michigan Blue Care HMO Network under 50 percent rule are repealed.

(c) The authorization of appropriations for a program of research on patient outcomes of selected medical treatments and surgical procedures is increased to \$10 million for fiscal year 1989, and authorizations are provided in the amount of \$20 million for fiscal year 1990 and \$30 million for fiscal year 1991.

(d) The reporting deadline for the United States Bipartisan Commission on Comprehensive Health Care is extended until six months after funds are appropriated for the Commission.

Provisions Relating to Part B of Medicare

(a) The conference agreement includes the Senate provision regarding payment for specimen collection fees with an amendment.

The Secretary would be required to provide for payment of specimen collection charges for certain labs on a per mile basis. The Secretary would also be required to submit a report to Congress by May 1, 1989 concerning reimbursement of specimen collection fees.

(b) The conference agreement includes the Senate amendment regarding the fee schedule for services provided by certified registered nurse anesthetists.

The amendment clarifies the budget neutrality provision by specifying that the comparison between payment levels under the fee schedule and the 1986 reimbursement rules for payment of medical direction and CRNA services should take coinsurance into account on both sides of the equation.

(c) The conference agreement includes the Senate amendment with modifications. Rules regarding coverage of psychologists services provided in a community mental health center would be clarified to specify that such services would also be covered if necessarily provided off-site due to physical or mental impairment or similar reason.

(d) The conference agreement includes the Senate amendment regarding Medicare certification of physical therapy and occupational therapy providers.

(e) An addition would be made to the list of statutory responsibilities for the Physician Payment Review Commission. The Commission would be required to make recommendations for moderating

the rate of increase in total Part B payment per capita and in the use of services under Medicare B in its annual report to Congress.

(f) The conference agreement includes the Senate amendment which extends the current moratorium on competitive bidding demonstrations for clinical lab services for an additional year.

(g) The conference agreement includes the Senate provision regarding payment for medical escort or attendant services with modifications.

The Secretary would be authorized to pay for such services on commercial air flights where such flights are covered as ambulance services under regulations currently in effect. This authorization would be in effect for a five-year period.

2. Medicaid provisions

a. Delay in issuance of final regulations concerning the use of voluntary contributions and provider-paid taxes by States to receive Federal matching funds

Present Law

The Medicaid program is a Federal-State program under which Federal funds are available to match State expenditures to purchase specified medical services on behalf of eligible individuals. Current regulations allow States to use as State expenditures for purposes of receiving Federal matching payments funds donated from private sources that are transferred to the State Medicaid agency, are under the agency's administrative control, and do not revert to the donor's facility or use unless the donor is a non-profit organization and the Medicaid agency, of its own volition decides to use the donor's facility. Some States also use funds that are generated from taxes on health care providers to draw Federal matching funds.

In the President's proposed budget for FY 1989, the Administration indicated that it would issue regulations to limit the use of donated funds to draw down Federal matching payments. The regulations have not yet been published.

House Bill

No provision.

Senate Amendment

Prohibits the Secretary of HHS from issuing final regulations that change the policy governing the use of donated funds or the use of revenues generated from provider taxes until after February 15, 1989. Proposed regulations could be published before that date.

Conference Agreement

The conference agreement follows the Senate amendment with a modification. The moratorium would extend until May 1, 1989.

Effective Date

Date of enactment.

b. Medicaid long-term care waiver program

Present Law

Section 1915(d) of the Social Security Act provides States an option to receive Federal Medicaid funding for nursing facility and home and community-based services for eligible elderly, subject to an aggregate limit. The limit is currently tied to the State's expenditures for such services during a base year, adjusted to take into account growth in the elderly population and increases in the cost of services, subject to a limit of 7 percent. However, the base year amount is not adjusted to take into account new mandated services or program expansions, such as the spousal impoverishment protections enacted in the Medicare Catastrophic Coverage Act of 1988.

House Bill

No provision.

Senate Amendment

Provides that the base year amounts would be adjusted to take into account new services and program expansions mandated by Federal law, effective with respect to State expenditures beginning in waiver year 1989.

Conference Agreement

The conference agreement follows the Senate amendment with technical modifications. Federal laws enacted after December 22, 1987, which increase aggregate Medicaid spending for either nursing facility services or home and community-based services would, at the request of the State and in close consultation with the State, be factored into the Secretary's determination of the aggregate limit for a particular waiver year or years.

The conference agreement also clarifies that, in calculating the aggregate limit for a particular waiver year, the Secretary is to apply the 7 percent adjustment to the number of years rounded to the nearest quarter of a year beginning after the base year and ending at the end of the waiver year. The following is an example of such a calculation where Year 1 is the base year, Year 3 is the first year the waiver is implemented and 7 percent is the lesser growth rate:

<i>Year</i>	<i>Expenditures</i>
1	\$ 10,000,000
2	10,000,000
3	11,449,000
4	12,250,000
5	13,107,000

Effective Date

Waiver years beginning during or after FY 1989.

c. Extension of time period for submission of correction and reduction plans for certain intermediate care facilities for the mentally retarded

Present Law

Section 9516 of the Consolidated Omnibus Budget Reconciliation Act of 1985 allows an intermediate care facility for the mentally retarded (ICF/MR) that is found by the Secretary of Health and Human Services to have substantial deficiencies that do not pose an immediate threat to the health or safety of residents under the Medicaid program to submit a 6-month plan of correction or a 36-month plan of reduction as an alternative to decertification. The Department of Health and Human Services did not issue regulations implementing the section until January 25, 1988. The provision is scheduled to sunset on April 6, 1989. The final regulations do not allow the use of the plan of reduction in the case of a facility that was subject to decertification because of failure to provide active treatment.

House Bill

No provision.

Senate Amendment

Provides that the option to submit a plan of correction or reduction would be available in any case where there was no immediate threat to the health or safety of the residents, including failure to provide active treatment. However, active treatment would have to be provided for residents who remain in the facility during the period covered by the plan of reduction. The sunset date would be extended to January 25, 1991.

The provision is effective on the date of enactment. It applies to any proceeding where there has not yet been a final determination by the Secretary of HHS as of the enactment of this Act.

Conference Agreement

The conference agreement follows the Senate amendment with a modification that the sunset date would be extended to January 1, 1990.

Effective Date

Date of enactment. Applies to any proceeding where there has not yet been a final determination by the Secretary of HHS as of the date of enactment of this Act.

d. Nursing facility decertification hearing procedures

Present Law

Section 1910 of the Social Security Act provides that a nursing facility that is a party to a decertification proceeding based on a Federal look-behind review may continue to participate in the Medicaid program while a hearing on the issue is pending. The Department of Health and Human Services has taken the position that

evidence of compliance based on a later Federal or State survey may not be admitted at such hearing. Thus, a facility maybe terminated on the basis of noncompliance that has subsequently been corrected.

House Bill

No provision.

Senate Amendment

Provides that in a decertification proceeding, nursing facilities would be allowed to submit evidence of correction of deficiencies based on Federal or State surveys conducted after the initial finding of noncompliance. This provision would not apply in the case of intermediate sanctions. While the amendment allows the results of a subsequent survey to be admitted as evidence, such evidence does not preclude a decertification finding. The Administrative Law Judge would also take into account the facility's record of noncompliance and the extent and likely duration of the compliance exhibited in such subsequent survey.

Conference Agreement

The conference agreement does not include the Senate amendment.

e. Sense of the Senate urging Congress to act on Medicaid reform for people with disabilities

Present Law

No provision.

House Bill

No provision.

Senate Amendment

The Senate amendment includes a provision expressing the sense of the Senate with regard to Medicaid reform for people with disabilities:

(a) *Findings.*—The Senate finds that—

(1) the needs of people with disabilities are not adequately met in the Nation's existing health care system;

(2) there is no well-designed system of services for individuals needing long-term support with the except of limited services available through Medicaid;

(3) such services are still rooted in the medical model;

(4) the Nation's understanding of the needs and capabilities of people with disabilities has progressed and it has become clear that traditional medically oriented services provided through Medicaid are frequently inadequate and inappropriate;

(5) all people, regardless of disability, should have the opportunity to live, work, and pursue recreational activities in their communities;

(6) the Medicaid program should be changed from one that demand dependency to one that seeks to encourage personal growth and is tailored to the needs of each individual;

(7) the Congress should ensure the availability of a wide range of services and support for people with disabilities and the families of such people in a variety of residential settings;

(8) such services should be designed to meet the unique needs of each person rather than requiring an individual to "fit into" a service system or residential placement;

(9) it is time for Congress to consider seriously true reform of Medicaid services for people with disabilities;

(10) this issue has been the subject of serious debate in the Congress for the last 5 years and has been the subject of 4 hearings in the Committee on Finance of the Senate; and

(11) the Medicaid Home and Community Quality Services Act, S. 1673, has been introduced in the Senate to address the need for reform and has been cosponsored by 48 members of the Senate.

(b) *Sense of the Senate.*—It is the Sense of the Senate that—

(1) early in the 101st Congress Medicaid reform should be undertaken;

(2) such reform should ensure that services will be provided in a wide range of residential setting from in-home support to institution based care; and that independence, productivity and community integration should be our national goal for people with disabilities.

Conference Agreement

The Senate amendment expressed the sense of the Senate and was duly passed by the Senate, and it is not included in the conference agreement.

The conference agreement clarifies that individuals who, as of January 1, 1989, will be mandatorily eligible for coverage of their Medicare cost-sharing (qualified Medicare beneficiaries) are individuals who are entitled to Medicare, whose income meets specified standards, and whose resources do not exceed twice the amount allowed under the SSI program, whether or not they are otherwise eligible for Medicaid.

The conference agreement provides that, in calculating an optional premium for the second six months of transitional Medicaid benefits for the families who leave cash assistance due to earnings, a State must deduct the average monthly costs for necessary child care from gross monthly earnings.

The conference agreement clarifies that, in the case of a 1915(c) home and community-based services waiver that applies to individuals with a particular illness or condition, such as physically disabled individuals (who are at risk of institutional care), the Secretary must allow the State to determine the average per capita expenditure that would have been made in a fiscal year for those individuals separately from the expenditures for other individuals, whether or not those individuals are institutionalized prior to entering the waiver.

Finder's Aid

P.L. 100-690 (102 Stat. 4181) Approved November 18, 1988
"Anti-Drug Abuse Act of 1988"

<u>Subject</u>	<u>S.S. Act Section</u>	<u>P.L. Section</u>	<u>102 Stat.</u>
Penalties--Misuse of Social Security Number	208	7088(1)	4409
Penalties--Misuse of Social Security Number	208	7088(2)	4409
Penalties--Misuse of Social Security Number	208	7088(3)	4409

Public Law 100-690
100th Congress

An Act

To prevent the manufacturing, distribution, and use of illegal drugs, and for other purposes.

Nov. 18, 1988
[H.R. 5210]

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

Anti-Drug Abuse
Act of 1988.
21 USC 1501
note.

SECTION 1. SHORT TITLE.

This Act may be cited as the "Anti-Drug Abuse Act of 1988".

SEC. 2. TABLE OF TITLES.

Title I—Coordination of national drug policy
Title II—Treatment and prevention programs
Title III—Drug education programs
Title IV—International narcotics control
Title V—User accountability
Title VI—Anti-drug abuse amendments act of 1988
Title VII—Death penalty and other criminal and law enforcement matters
Title VIII—Federal alcohol administration
Title IX—Miscellaneous
Title X—Supplemental appropriations

**TITLE I—COORDINATION OF NATIONAL
DRUG POLICY****Subtitle A—National Drug Control Program**

National
Narcotics
Leadership Act
of 1988.
21 USC 1501
note.

SEC. 1001. SHORT TITLE.

This subtitle may be cited as the "National Narcotics Leadership Act of 1988".

SEC. 1002. ESTABLISHMENT OF OFFICE.

21 USC 1501.

(a) **ESTABLISHMENT OF OFFICE.**—There is established in the Executive Office of the President the "Office of National Drug Control Policy".

(b) **DIRECTOR AND DEPUTY DIRECTORS.**—(1) There shall be at the head of the Office of National Drug Control Policy a Director of National Drug Control Policy.

(2) There shall be in the Office of National Drug Control Policy a Deputy Director for Demand Reduction and a Deputy Director for Supply Reduction.

(3) The Deputy Director for Demand Reduction and the Deputy Director for Supply Reduction shall assist the Director in carrying out the responsibilities of the Director under this Act.

(c) **BUREAU OF STATE AND LOCAL AFFAIRS.**—(1) There is established in the Office of National Drug Control Policy a Bureau of State and Local Affairs.

(2) There shall be at the head of such bureau an Associate Director for National Drug Control Policy.

SEC. 7087. AUTHORITY TO OBTAIN ARREST WARRANT FOR FOREIGN FUGITIVE WHOSE SPECIFIC WHEREABOUTS ARE NOT KNOWN.

Section 3184 of title 18, United States Code, is amended by inserting after the first sentence the following: "Such complaint may be filed before and such warrant may be issued by a judge or magistrate of the United States District Court for the District of Columbia if the whereabouts within the United States of the person charged are not known."

District of
Columbia.

SEC. 7088. MISUSE OF SOCIAL SECURITY NUMBER.

Section 208 of the Social Security Act (42 U.S.C. 408) is amended—

(1) in the first undesignated paragraph, by striking "not more than \$5,000" after "shall be fined" and inserting "under title 18, United States Code,";

(2) in the second undesignated paragraph, by striking "not more than \$25,000" after "shall be fined" and inserting "under title 18, United States Code,"; and

(3) adding at the end the following: "For the purpose of subsection (g), the terms 'social security number' and 'social security account number' mean such numbers as are assigned by the Secretary under section 405(c)(2) of this title whether or not, in actual use, such numbers are called social security numbers."

SEC. 7089. PETTY OFFENSE AMENDMENTS.

(a) **TITLE 18.**—Section 19 of title 18, United States Code, is amended by inserting "for which the maximum fine is no greater than the amount set forth for such an offense in section 3571(b) (6) or (7) in the case of an individual or section 3571(c) (6) or (7) in the case of an organization" after "infraction".

(b) **RULES OF PROCEDURE.**—Rule 9 of the Rules of Procedure for the Trial of Misdemeanors before United States Magistrates is amended to read as follows:

18 USC app.

"Rule 9. Definition

"As used in these rules, 'petty offense' has the meaning set forth in 18 U.S.C. § 19."

(c) **FEDERAL RULES OF CRIMINAL PROCEDURE.**—Rule 54 of the Federal Rules of Criminal Procedure is amended in the definition of "petty offense" to read as follows:

18 USC app.

"'Petty offense' has the meaning set forth in 18 U.S.C. 19."

SEC. 7090. NONMAILABILITY OF LOCKSMITHING DEVICES.

(a) **IN GENERAL.**—Title 39, United States Code, is amended by inserting after section 3002 the following:

"§ 3002a. Nonmailability of locksmithing devices.

"(a) Any locksmithing device is nonmailable mail, shall not be carried or delivered by mail, and shall be disposed of as the Postal Service directs, unless such device is mailed to—

"(1) a lock manufacturer or distributor;

"(2) a bona fide locksmith;

"(3) a bona fide repossessor; or

"(4) a motor vehicle manufacturer or dealer.

"(b) For the purpose of this section, 'locksmithing device' means—

"(1) a device or tool (other than a key) designed to manipulate the tumblers in a lock into the unlocked position through the keyway of such lock;

CHAPTER VI—GENERAL PROVISION

No part of any appropriation contained in this title shall remain available for obligation beyond the current fiscal year unless expressly so provided herein.

This title may be cited as the "Urgent Supplemental Appropriations Act of 1989 to Meet the Dire Emergency Created by the Crisis of Drug Abuse".

Approved November 18, 1988.

LEGISLATIVE HISTORY—H.R. 5210:**CONGRESSIONAL RECORD, Vol. 134 (1988):**

Sept. 7, 8, 14-16, 22, considered and passed House.

Oct. 13, 14, considered and passed Senate, amended.

Oct. 21, House concurred in Senate amendment with an amendment. Senate concurred in House amendment.

WEEKLY COMPILATION OF PRESIDENTIAL DOCUMENTS, Vol. 24 (1988):

Nov. 18, Presidential remarks.

Finder's Aid

P.L. 100-707 (102 Stat. 4689) Approved November 23, 1988
"The Disaster Relief and Emergency Assistance Amendments of 1988"

<u>Subject</u>	<u>S.S. Act Section</u>	<u>P.L. Section</u>	<u>102 Stat.</u>	<u>H. Rep. 100-517</u>	<u>S. Rep. 100-524</u>
Meaning of Income (conforming amendment)	1612(a)(2)(A)	109(p)	4709	67-68	62-63
Meaning of Income (conforming amendment)	1612(b)(11)	109(p)	4709	68	62-63

Public Law 100-707
100th Congress

An Act

To amend the Disaster Relief Act of 1974 to provide for more effective assistance in response to major disasters and emergencies, and for other purposes.

Nov. 23, 1988
[H.R. 2707]

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

TITLE I—DISASTER RELIEF AND EMERGENCY ASSISTANCE AMENDMENTS

SEC. 101. SHORT TITLE; AMENDMENTS TO DISASTER RELIEF ACT OF 1974.

(a) **SHORT TITLE.**—This title may be cited as “The Disaster Relief and Emergency Assistance Amendments of 1988.”

(b) **AMENDMENTS TO DISASTER RELIEF ACT OF 1974.**—Except as otherwise expressly provided, whenever in this title an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Disaster Relief Act of 1974 (42 U.S.C. 5121–5202).

SEC. 102. AMENDMENT TO SHORT TITLE.

(a) **AMENDMENT TO SHORT TITLE.**—The first section is amended by striking out “Disaster Relief Act of 1974” and inserting in lieu thereof “The Robert T. Stafford Disaster Relief and Emergency Assistance Act.”

(b) **REFERENCES.**—Whenever any reference is made in any law (other than this Act), regulation, document, rule, record, or other paper of the United States to a section or provision of the Disaster Relief Act of 1974, such reference shall be deemed to be a reference to such section or provision of the Robert T. Stafford Disaster Relief and Emergency Assistance Act.

SEC. 103. AMENDMENTS TO TITLE I.

(a) **FINDINGS AND DECLARATIONS.**—Section 101(b) (42 U.S.C. 5121(b)) is amended—

- (1) by striking out paragraph (7);
- (2) by striking out “; and” at the end of paragraph (6); and
- (3) by inserting “and” at the end of paragraph (5).

(b) **DEFINITION OF EMERGENCY.**—Section 102(1) is amended to read as follows:

“(1) **EMERGENCY.**—‘Emergency’ means any occasion or instance for which, in the determination of the President, Federal assistance is needed to supplement State and local efforts and capabilities to save lives and to protect property and public health and safety, or to lessen or avert the threat of a catastrophe in any part of the United States.”

(c) **DEFINITION OF MAJOR DISASTER.**—Section 102(2) is amended to read as follows:

Public health and safety.
State and local governments.
The Disaster Relief and Emergency Assistance Amendments of 1988.
42 USC 5121 note.

The Robert T. Stafford Disaster Relief and Emergency Assistance Act.
42 USC 5121 note.
42 USC 5121 note.

42 USC 5122.

42 USC 5121
note.
42 USC 5202.

(1) by inserting "(1)" after "Sec. 601. (a)"; and

(2) by adding at the end the following new paragraph:

"(2) **DEADLINE FOR PAYMENT OF ASSISTANCE.**—Rules and regulations authorized by paragraph (1) shall provide that payment of any assistance under this Act to a State shall be completed within 60 days after the date of approval of such assistance."

(b) **EFFECTIVE DATE.**—Section 605 is repealed.

(c) **AUTHORIZATION OF APPROPRIATIONS.**—Section 606 is repealed.

SEC. 109. CONFORMING AMENDMENTS TO OTHER LAWS.

(a) **AGRICULTURAL ACT OF 1949.**—(1) Section 401(c) of the Agricultural Act of 1949 (7 U.S.C. 1421(c)) is amended by striking out "Public Law 875, Eighty-first Congress" and inserting in lieu thereof "the Disaster Relief and Emergency Assistance Act".

(2) Section 407 of such Act (7 U.S.C. 1427) is amended by striking out "Public Law 875, Eighty-first Congress, as amended (42 U.S.C. 1855)" and inserting in lieu thereof "the Disaster Relief and Emergency Assistance Act".

(b) **AGRICULTURAL ACT OF 1970.**—Section 813(d) of the Agricultural Act of 1970 (7 U.S.C. 1427a(d)) is amended by striking out "Act of 1974" and inserting in lieu thereof "and Emergency Assistance Act".

(c) **CONSOLIDATED FARM AND RURAL DEVELOPMENT ACT.**—(1) Section 321(a) of the Consolidated Farm and Rural Development Act (7 U.S.C. 1961(a)) is amended by striking out "Act of 1974" each place it appears and inserting in lieu thereof "and Emergency Assistance Act".

(2) Section 324(d) of such Act (7 U.S.C. 1964(d)) is amended by striking out "Act of 1974" and inserting in lieu thereof "and Emergency Assistance Act".

(d) **FOOD STAMP ACT OF 1977.**—Section 5(h)(1) of the Food Stamp Act of 1977 (7 U.S.C. 2014(h)(1)) is amended by striking out "section 302(a) of the Disaster Relief Act of 1974" and inserting in lieu thereof "sections 402 and 502 of the Disaster Relief and Emergency Assistance Act".

(e) **NATIONAL HOUSING ACT.**—(1) Section 8(b)(2) of the National Housing Act (12 U.S.C. 1706c(b)(2)) is amended by striking out "102(2) and 301 of the Disaster Relief Act of 1974" and inserting in lieu thereof "102(2) and 401 of the Disaster Relief and Emergency Assistance Act".

(2) Section 203(h) of such Act (12 U.S.C. 1709(h)) is amended—

(A) by striking out "riot or civil disorder,"; and

(B) by striking out "102(2) and 301 of the Disaster Relief Act of 1974" and inserting in lieu thereof "102(2) and 401 of the Disaster Relief and Emergency Assistance Act".

(3) Section 221(f) of such Act (12 U.S.C. 1715l(f)) is amended by striking out "Act of 1974" and inserting in lieu thereof "and Emergency Assistance Act".

(f) **SMALL BUSINESS ACT.**—(1) Section 7(b)(2)(A) of the Small Business Act (15 U.S.C. 636(b)(2)(A)) is amended by striking out "the Act entitled 'An Act to authorize Federal assistance to States and local governments in major disasters, and for other purposes', approved September 30, 1950, as amended (42 U.S.C. 1855-1855g)" and inserting in lieu thereof "the Disaster Relief and Emergency Assistance Act".

(2) Section 7(b)(E) of such Act (15 U.S.C. 636(b)(E)) is amended by striking out "subsection (b) of section 315 of Public Law 93-288 (42

U.S.C. 5155)" and inserting in lieu thereof "section 312(a) of the Disaster Relief and Emergency Assistance Act".

(3) Section 7(f) of such Act (15 U.S.C. 636(f)) is amended by striking out "section 2(a) of the Act of September 30, 1950 (42 U.S.C. 1855a(a))" and inserting in lieu thereof "section 102(2) of the Disaster Relief and Emergency Assistance Act".

(g) ENDANGERED SPECIES ACT OF 1973.—Section 7(p) of the Endangered Species Act of 1973 (16 U.S.C. 1536(p)) is amended—

(1) by striking out "Disaster Relief Act of 1974" each place it appears and inserting in lieu thereof "Disaster Relief and Emergency Assistance Act"; and

(2) by striking out "401 or 402" and inserting in lieu thereof "405 or 406".

(h) COASTAL BARRIER RESOURCES ACT.—Section 6(a)(6)(E) of the Coastal Barrier Resources Act (16 U.S.C. 3505(a)(6)(E)) is amended by striking out "305 and 306 of the Disaster Relief Act of 1974 (42 U.S.C. 5145 and 5146)" and inserting in lieu thereof "402, 403, and 502 of the Disaster Relief and Emergency Assistance Act".

(i) IMPACT AID ACT.—Section 7(a)(1)(A) of the Act of September 30, 1950, commonly known as the Impact Aid Act (Public Law 874, 81st Congress; 20 U.S.C. 241-1(a)(1)(A)), is amended by striking out "102(2) and 301 of the Disaster Relief Act of 1974" and inserting in lieu thereof "102(2) and 401 of the Disaster Relief and Emergency Assistance Act".

(j) PUBLIC LAW 815 OF THE 81ST CONGRESS.—Section 16(a)(1)(A) of the Act of September 23, 1950 (Public Law 815, 81st Congress; 20 U.S.C. 646(a)(1)(A)), is amended by striking out "102(2) and 301 of the Disaster Relief Act of 1974" and inserting in lieu thereof "102(2) and 401 of the Disaster Relief and Emergency Assistance Act".

(k) TITLE 23.—Section 125(b) of title 23, United States Code, is amended by striking out "Act of 1974" and inserting in lieu thereof "and Emergency Assistance Act".

(l) INTERNAL REVENUE CODE OF 1986.—Sections 165(i)(1), 165(k), 5064(b)(3), and 5708(a) of the Internal Revenue Code of 1986 (26 U.S.C. 165(i)(1), 165(k), 5064(b)(3), and 5708(a)) are each amended by striking out "Act of 1974" and inserting in lieu thereof "and Emergency Assistance Act".

(m) ACT OF AUGUST 18, 1941.—Section 5(a) of the Act entitled "An Act authorizing the construction of certain public works on rivers and harbors for flood control, and for other purposes", approved August 18, 1941 (33 U.S.C. 701n), is amended by striking out "Act of 1974" and inserting in lieu thereof "and Emergency Assistance Act".

(n) TITLE 38.—Section 1820(f) of title 38, United States Code, is amended by striking out "Act of 1974" and inserting in lieu thereof "and Emergency Assistance Act".

(o) NATIONAL FLOOD INSURANCE ACT OF 1968.—Section 1306(c)(5) of the National Flood Insurance Act of 1968 (42 U.S.C. 4013(c)(5)) is amended by striking out "Act of 1974" and inserting in lieu thereof "and Emergency Assistance Act".

(p) SOCIAL SECURITY ACT.—Subsections (a)(2)(A) and (b)(11) of section 1612 of the Social Security Act (42 U.S.C. 1382a(a)(2)(A) and (b)(11)) are each amended by striking out "Act of 1974" and inserting in lieu thereof "and Emergency Assistance Act".

(q) OLDER AMERICANS ACT OF 1965.—Section 310(a)(1) of the Older Americans Act of 1965 (42 U.S.C. 3030(a)(1)) is amended by striking

Compacts
between States.

Pierhead Line on a bearing of S21-01'-53"E for a distance of 700.00 feet to a point; thence (4) Easterly at right angles to said Pierhead Line on a bearing of N68-58'-07"E for a distance of 200.00 feet to the point of beginning. Bearings and coordinates are in the system used on the Borough Survey, Borough President's Office, Manhattan. This declaration shall apply to all or any part of the described area which is used or needed for New York Harbor passenger ferry boat service, as such service may be operated by, or contracted for operation by, a bi-State agency created by compact between the States of New York and New Jersey."

Approved November 23, 1988.

LEGISLATIVE HISTORY—H.R. 2707 (S. 2380):

HOUSE REPORTS: No. 100-517 (Comm. on Public Works and Transportation).

SENATE REPORTS: No. 100-524 accompanying S. 2380 (Comm. on Environment and Public Works).

CONGRESSIONAL RECORD, Vol. 134 (1988):

Mar. 17, considered and passed House.

Oct. 21, considered and passed Senate, amended. House concurred in Senate amendment.

DISASTER RELIEF AND GREAT LAKES EROSION ASSISTANCE

MARCH 15, 1988.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. HOWARD, from the Committee on Public Works and Transportation, submitted the following

REPORT

[To accompany H.R. 2707]

The Committee on Public Works and Transportation, to whom was referred the bill (H.R. 2707) to amend the Disaster Relief Act of 1974 to provide for more effective assistance in response to major disasters and emergencies, and for other purposes, having considered the same, report favorably thereon with an amendment and recommend that the bill as amended do pass.

The amendment strikes out all after the enacting clause of the bill and inserts a new text which appears in italic type in the reported bill.

INTRODUCTION

THE DISASTER RELIEF PROGRAM

The Federal Disaster Relief Program was created to provide an orderly and continuing means of assistance by the Federal Government to State and local governments in carrying out their responsibilities to alleviate the suffering and damage caused by disasters such as hurricanes, tornadoes, storms and floods. The program is administered by the Federal Emergency Management Agency (FEMA).

The primary authority for Federal disaster assistance is Public Law 93-288, the Disaster Relief Act of 1974. Contained in this Act are two major classifications for Federal assistance. These are major disasters and emergencies. A major disaster is defined as any hurricane, tornado, storm, flood, volcanic eruption, drought, fire, explosion or other catastrophe in any part of the United States which in the determination of the President causes damage of suffi-

from other Federal agencies and from State or local agencies, and (2) pursuant to subsection (a)(2) of this section, extend on an individual case basis such forbearance or indulgence to such owner as the Administrator determines to be warranted by the facts of the case and the circumstances of such owner.

SECTION 1612 OF THE SOCIAL SECURITY ACT

INCOME

Meaning of Income

SEC. 1612. (a) For purposes of this title, income means both earned income and unearned income; and—

(1) * * *

(2) unearned income means all other income, including—

(A) support and maintenance furnished in cash or kind; except that (i) in the case of any individual (and his eligible spouse, if any) living in another person's household and receiving support and maintenance in kind from such person, the dollar amounts otherwise applicable to such individual (and spouse) as specified in subsections (a) and (b) of section 1611 shall be reduced by 33 $\frac{1}{3}$ percent in lieu of including such support and maintenance in the unearned income of such individual (and spouse) as otherwise required by this subparagraph, (ii) in the case of any individual or his eligible spouse who resides in a nonprofit retirement home or similar nonprofit institution, support and maintenance shall not be included to the extent that it is furnished to such individual or such spouse without such institution receiving payment therefor (unless such institution has expressly undertaken an obligation to furnish full support and maintenance to such individual or spouse without any current or future payment therefor) or payment therefor is made by another nonprofit organization, and (iii) support and maintenance shall not be included and the provisions of clause (i) shall not be applicable in the case of any individual (and his eligible spouse, if any) for the period which begins with the month in which such individual and his eligible spouse began to receive support and maintenance while living in a residential facility (including a private household) maintained by another person and ends with the close of the month in which such individual (or such individual (or such individual (or such individual and his eligible spouse) ceases to receive support and maintenance while living in such a residential facility (or, if earlier, with the close of the seventeenth month following the month in which such period began), if, not more than 30 days prior to the date on which such individual and his eligible spouse began to receive support and maintenance while living in such a residential facility, (I) such individual (or such individual and his eligible spouse) were residing in a household maintained by such individual (or by such individual and others) as his or their own

home, (II) there occurred within the area in which such household is located (and while such individual, or such individual and his spouse, were residing in the household referred to in subclause (I) a catastrophe on account of which the President declared a major disaster to exist therein for purposes of the Disaster Relief [Act of 1974] and *Emergency Assistance Act*, and (III) such individual declares that he (or he and his eligible spouse) ceased to continue living in the household referred to in subclause (II) because of such catastrophe;

* * * * *

(b) In determining the income of an individual (and his eligible spouse) there shall be excluded—

* * * * *

(11) assistance received under the Disaster Relief [Act of 1974] and *Emergency Assistance Act* or other assistance provided pursuant to a Federal statute on account of a catastrophe which is declared to be a major disaster by the President.

* * * * *

SECTION 310 OF THE OLDER AMERICANS ACT OF 1965

DISASTER RELIEF REIMBURSEMENTS

SEC. 310. (a)(1) The Commissioner may provide reimbursements to any State, upon application for such reimbursement, for funds such State makes available to area agencies in such State for the delivery of supportive services during any major disaster declared by the President in accordance with the Disaster Relief [Act of 1974.] and *Emergency Assistance Act*.

* * * * *

PUBLIC WORKS AND ECONOMIC DEVELOPMENT ACT OF 1965

TITLE VIII—ECONOMIC RECOVERY FOR DISASTER AREAS

PURPOSE OF TITLE

SEC. 801. (a) * * *

(b) As used in this title, the term "major disaster" means a major disaster declared by the President in accordance with the Disaster Relief [Act of 1974.] and *Emergency Assistance Act*.

DISASTER RECOVERY PLANNING

SEC. 802. (a) * * *

(b) The Recovery Planning Council (1) shall review existing plans for the affected area; and (2) may recommend to the governor and responsible local governments such revisions as it determines necessary for the economic recovery of the area, including the development of new plans and the preparation of a recovery investment plan for the 5-year period following the declaration of the major

100TH CONGRESS }
2d Session

SENATE

{ REPORT
100-524

DISASTER RELIEF ACT AMENDMENTS OF
1988

R E P O R T

OF THE

COMMITTEE ON
ENVIRONMENT AND PUBLIC WORKS
UNITED STATES SENATE

TO ACCOMPANY

S. 2380



SEPTEMBER 22 (legislative day, SEPTEMBER 7), 1988.—Ordered to be printed

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